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EVALUATION OF ANTI-MONEY
LAUNDERING MEASURES AND THE
FINANCING OF TERRORISM
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Report on Fourth Assessment Visit - ANNEXES

Anti-Money Laundering and Combating the Financing of Terrorism

ISRAEL

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- The Commissioner of Capital Markets, Insurance and Saving Division
- MSBs registrar (Ministry of Finance)
- District Attorneys
- The Ministry of Justice
- Counsel and Legislation Department (Criminal Division)
- Department for International Agreements and International Litigation
- Ministry of Foreign Affairs
- The Attorney General Office
- The Department of International Affairs and Legal Assistance
- Israeli Police - The Legal Assistance Unit
- The Israeli Corporations Authority (ICA)
- The legislation department
- The Israeli Police
- Tax Authority
- Supreme Court
- Israel Anti Money Laundering and Terror Financing Prohibition Authority
- The Prime Minister office
- Israeli Security Agency
- The Bar Association
- The Accountants Association
- The Diamond Exchange Centre
- The Ministry of Industry, Trade and Labour
- The Israeli Securities Authority
- Commercial banks
- Money Services Businesses
- Provident fund and Insurance company
- Stock exchange member & Provident Fund
- Portfolio Managers
- The Postal Bank

Laws

Prohibition on Money Laundering Law, 5760 – 2000

Chapter 1: Interpretation

1. In this Law –

"gems" - a stone listed in Schedule 1.1;

"precious stones" gems or diamonds, whether set in jewelry or in other objects or not, unless they have been integrated or are intended to be integrated into work tools;

"stock exchange" - as defined in section 1 of the Securities Law;

"The Postal Bank" - the company as defined in the Postal Authority Law, 5746-1986, in its capacity as a provider of financial services as defined in that Law, through the subsidiary as defined in section 88K of the said Law;

"stock exchange member" - a member of the stock exchange as determined by the stock exchange rules referred to in section 46 of the Securities Law, excluding a banking corporation;

"the Prohibition on Financing Terrorism Law" – the Prohibition on Financing Terrorism Law, 5765-2005;

"the Banking (Licensing) Law" - the Banking (Licensing) Law, 5741-1981;

"the Companies Law" - the Companies Law, 5759-1999;

"the Value Added Tax Law" - the Value Added Tax Law, 5728-1968;

"the Penal Law" - the Penal Law, 5737-1977;

"the Securities Law" - the Securities Law, 5728-1968;

"diamond" - a clear, colored or opaque carbon crystal having a monocrystalline or polycrystalline structure and which is harder than any other form of carbon, including a man-made crystal;

"monies" - cash, bank or travelers cheques;"money changer" - (deleted);

"money services provider" - one to whom the registration obligation stipulated in section 11C applies;

"money services" - the service described in section 11C(1)-(8);

"portfolio manager" - as defined in section 1 of the Regulation of Investment Advice and Investment Portfolio Management Law, 5755-1995;

"dealer in precious stones" - anyone trading in precious stones , even if this is not his sole vocation, provided that he entered into one or more precious stones transactions during the calendar year beginning on the date which shall be stipulated in an order made pursuant to section 8A in return for a sum of money equivalent to at least 50,000 new shekels;

"precious stones transaction" - the acquisition or receipt of ownership of one or more precious stones, including as a result of the realization of a charge on the precious stone by anyone other than a banking corporation, provided that the precious stone or the sum of money paid for it was handed over in Israel;

"property transaction" - the acquisition or receipt of ownership or any other proprietary interest, whether gratuitously or in return for payment, as well as a disposition involving delivery, receipt, holding, conversion, a banking transaction, investment, a transaction in or the holding of securities, brokerage, the granting or receipt of credit, import, export, creation of a trust and the mixing of prohibited property or of prohibited property with non-prohibited property;

"the Dangerous Drugs Ordinance" - the Dangerous Drugs Ordinance [New Version], 5733-1973;

"the Arrest and Search Ordinance" - the Criminal Procedure (Arrest and Search) Ordinance [New Version], 5729-1969;

"customs officer" - anyone who the director, as defined in the Income Tax Ordinance, has authorized with regard to this Law;

"property" - land, chattels, money and rights, including proceeds or property attributable to or acquired from the sale of or profits generated by such property.

"banking corporation" - as defined in the Banking (Licensing) Law, 5741-1981, as well as an auxiliary corporation as defined in that Law which was incorporated in Israel.

Chapter 2: Offences

1. (a) In this chapter, "offence" shall mean one of the offences listed in Schedule 1.

(b) For the purposes of this chapter, an offence as stated in subsection (a) shall be regarded as an offence notwithstanding that it was committed in a foreign country, provided that it also constitutes an offence under the laws of that country.

(c) The condition stipulated at the end of subsection(b) shall not apply with respect to those offences listed in paragraph (18) of Schedule 1, or to those listed in paragraphs (19) and (20) of that Schedule which involve the commission of an offence listed in paragraph (18).

2. (a) A person undertaking a property transaction of a type referred to in paragraphs (1)-(4) below (in this Law - "prohibited property") with the object of concealing or disguising its origin, the identity of those owning the rights therein, its location, movements or a transaction in it, shall be guilty of an offence punishable by ten years imprisonment or a fine of twenty times that stated in section 61(a)(4) of the Penal Law –

(1) property obtained directly or indirectly through the commission of an offence;

(2) property which was used to commit an offence;

(3) property which facilitated the commission of an offence;

(4) property against which a crime was committed.

(b) A person undertaking a property transaction or giving false information in order to circumvent or prevent the submission of a report as required under sections 7, 8A or 9 or in order to cause an erroneous report to be submitted pursuant to one of those sections, shall be guilty of an offence for which the same punishments as stated in subsection (a) shall apply; for the purposes of this subsection, "giving false information" shall include not giving an update regarding any detail which must be reported.

3. A person undertaking a property transaction in the knowledge that the property in question is prohibited property of a type and worth the amount listed in Schedule 2, shall be guilty of an offense punishable by seven years imprisonment or a fine of ten times that stated in section 61(a)(4) of the Penal Law; for the purposes of this section, "knowledge" does not include turning a blind eye to the matter as defined in section 20(c)(1) of the Penal Law.
4. An offence shall be committed under sections 3 and 4 where it is proved that the person undertaking the transaction knew that the property was prohibited property, notwithstanding that he was unaware of the specific offence with which it was connected.
5. (a) A person shall not bear criminal liability under section 4 if he did one of the following:
 - (1) He reported to the police in a manner and on a date to be determined, prior to undertaking the property transaction, of his intention to do so, and complied with its instructions pertaining thereto, or reported to the police as aforesaid as soon as possible under the circumstances, after carrying out the property transaction.
 - (2) He reported in accordance with the provisions of sections 7 or 8A - where the provisions of those sections apply to him.
- (b) The Minister for Internal Security in consultation with the Minister of Justice shall determine the date and manner of reporting under subsection (a)(1).

Chapter 3: Imposition of Identification, Reporting and Maintenance of Records Obligations

Part 1: Obligations Imposed on Financial Services Providers

1. (a) For the purpose of enforcing this Law, the Governor of the Bank of Israel, after consulting with the Minister of Justice and the Minister for Internal Security, shall issue an order stating that with regard to the type of matters and property dispositions specified therein, a banking corporation –
 - (1) shall not undertake a property transaction while providing the service unless he has in his possession the identification details, as specified in the order, of the person receiving the service from the banking corporation; the Governor shall define in the order who the person receiving the service from the banking corporation shall be in this regard, and that definition may include the beneficiary of the transaction or the person creating a trust or endowment (in this section - the service recipient); where the service recipient is a corporation or the transaction is being undertaken at the request of a corporation or through the account of a corporation, the definition may include the person who has control over the corporation; for the purposes of this paragraph –
 - (a) "beneficiary" - a person for whom or for whose benefit the property is being held, the transaction is being undertaken, or who has the ability to direct the disposition, and all whether directly or indirectly;
 - (b) "control" - as defined in the Securities Law, and each term used in that definition shall be interpreted as it is in that Law;
 - (2) shall report the service recipient's property transactions which shall be referred to in the order in the manner which shall be stipulated in the order, including the transactions as aforesaid which were only partially completed;

(3) shall keep and maintain records in such manner and for such period as shall be stipulated in the order with regard to the following matters:

- (a) the identification details as stated in paragraph (1);
- (b) the transactions with respect to which the reporting obligation specified in paragraph (2) applies;
- (c) any other measure as specified in the order which needs to be taken in order to enforce this Law.

(b) For the purpose of enforcing this Law, in relation to any entity listed in Schedule 3 for which he is responsible and following consultations with the Minister of Justice and the Minister for Internal Security, a Minister shall determine within the framework of an order the obligations to identify, report and to make and preserve records referred to in subsection (a) which apply to it mutatis mutandis, as the case may be; such Minister shall likewise specify the methods by which the obligations stipulated in the order are to be discharged.

(c) Notwithstanding the provisions of any law, the order may stipulate the types of reports in relation to which the disclosure of anything pertaining to them, including an internal clarification leading up to their preparation, the contents of the report or the fact that a request made in connection with the report was received, as well as the granting of a right to inspect the documents attesting to them, shall be forbidden or restricted; a person disclosing any matter or allowing the inspection of a report in violation of an order issued pursuant to this subparagraph shall be guilty of an offence punishable by up to one year's imprisonment.

(d) A report being submitted pursuant to this section shall be transferred to a database as stated in section 28.

(e) The methods by and dates on which a report shall be transferred to the database shall be decided upon by the Minister of Justice after consultations with the Minister for Internal Security and –

(1) in the case of a banking corporation, the Governor of the Bank of Israel;

(2) in the case of an entity listed in the Third Schedule, the Minister who is responsible for that entity.

7A. A person to whom the obligations stipulated in section 7 applies shall train his employees regarding the ways in which they are to be complied with as set out in the order issued under that section, and shall also oversee that compliance;

8. (a) A corporation to which the obligations stipulated in section 7 and 7A applies shall appoint a person to be responsible for overseeing the implementation of those obligations; the Governor of the Bank of England or the Minister who is responsible for that corporation's activities, as the case may be, shall be entitled to issue an order under either of those sections specifying the qualifications required in order to be appointed as the person responsible as aforesaid.

(b) A person who is responsible for compliance with the obligations as aforesaid shall take measures in order to ensure that the corporation discharges the obligations imposed on it under the provisions of sections 7 and 7A.

Part 2: Obligations Imposed on Dealers in Precious Stones

8A. (a) In order to enforce this Law, the Minister of Industry, Trade and Employment (in this Part - the Minister) following consultations with the Minister of Justice and the Minister for Internal Security, shall issue an order regarding the types of precious stone transactions referred to therein which were entered into in return for payment of a sum in excess of that stipulated in the order, stating that a dealer in precious stones –

(1) shall not enter into a transaction as aforesaid, unless he shall have in his possession the identification particulars, as described in the order, of both the customer, as defined by the Minister in the order, and of the person who transferred the consideration being paid within the framework of that transaction; the definition as aforesaid may include the person with whom the dealer in precious stones is about to enter into a precious stone transaction or the person for whom or for whose benefit the transaction is being directly or indirectly undertaken as aforesaid; where the customer is a corporation or the precious stone transaction was entered into at the request of a corporation, the definition as aforesaid may include the person who has control of the corporation; "control" in this context shall have the meaning attributed to it in section 7(a)(1)(b);

(2) shall submit a report, in the manner stipulated in the order;

(3) shall record and preserve in the manner and for the period stipulated in the order –

(a) the identification details as stated in paragraph (1);

(b) the contents of the report as stated in paragraph (2);

(c) any other information specified in the order which shall be required in order to enforce this Law.

(b) Notwithstanding the provisions of subsection (a)(1), the dealer in precious stone shall be entitled to enter into a low risk transactions before having in his possession the identification details as stated in that subsection; the Minister shall specify in an order the circumstances in which the provisions of this subsection shall apply and the dates for receiving the identification details.

(c) Notwithstanding the provisions of subsection (a)(1), if a dealer in precious stone is a member of one of the bodies listed in Schedule 3.1 then he shall be entitled to enter into a precious stone transaction even if he has not identified the individual with whom he is about to enter into a precious stone transaction using the identification methods specified in the order in relation to that subsection, provided that the individual in question identified himself through a document or identification tag which was issued by one of the bodies listed in Schedule 3.1, of which the trader is a member, or by another body acting on behalf of and under the control of a body as aforesaid, in order to facilitate entry to the premises from which that body runs its operations, and provided that the body in question satisfies the following conditions:

(1) nobody can enter the premises from which it runs its operations unless he has been identified by that body or another body acting on its behalf and under its control;

(2)(a) it keeps a record of the identification details of those entering the premises as stated in paragraph (1) for at least five years;

(b) The competent authority shall be entitled to demand from the aforementioned body the identification details of those entering the premises from which it runs its operations pertaining

to the report which is being forwarded to the competent authority, and that body shall hand over the said details to the competent authority in compliance with its demand.

(d) Notwithstanding the provisions of any law, the order referred to in subsection (a) may stipulate the types of reports in relation to which the disclosure of anything pertaining to them, including an internal clarification leading up to their preparation, the contents of the report or the fact that a request made in connection with the report was received, as well as the granting of a right to inspect the documents attesting to them, shall be forbidden or restricted; a person disclosing any matter or allowing the inspection of a report in violation of an order issued pursuant to this subparagraph shall be guilty of an offence punishable by a year's imprisonment.

(e) A report being submitted pursuant to this section shall be transferred to a database as stated in section 28 by such methods and at such times as shall be decided upon by the Minister of Justice in consultation with the Minister for Internal Security and the Minister.

(f) The provisions of section 7A and 8 shall apply, mutatis mutandis, with regard to a dealer in precious stone; however, in the case of a corporate dealer in precious stones, the Minister shall have the authority to determine the eligibility criteria for appointing the person responsible for compliance with the obligations as stated in section 8.

Chapter 4: Obligation to Report Monies When Entering or Leaving Israel

9. (a) (repealed).

(b) When entering or leaving the State of Israel a person shall be obliged to report on the amount of money he is carrying with him if that amount exceeds the limit specified in Schedule 4.

(c) The obligation to report the amount of money being brought into or taken out of Israel as referred to in subsection (b) shall equally apply to a person bringing money into or taking money out of Israel by mail or by any other method.

(d) (1) The obligation to report under this section shall not apply to the following:

(a) the Bank of Israel;

(b) a banking corporation;

(c) a person transferring monies to or from Israel via a banking corporation or any other entity specified in an order issued by the Minister of Finance in consultation with the Minister for Internal Security.

(2) Nothing in the provisions of this subsection shall exempt financial services providers from their reporting obligations under section 7.

(e) The Minister of Finance, in consultation with the Minister for Internal Security shall decide upon the methods of reporting under this section, and he shall be entitled, in consultation with the Minister whom it concerns, to decide upon an alternative method of reporting regarding the bringing of monies into Israel.

(f) A report being submitted pursuant to this section shall be transferred to a database as stated in section 28 by such methods and at such times as shall be decided upon by the Minister of Justice in consultation with the Minister for Internal Security and the Minister of Finance.

(g) The reporting requirement under this section and the exercise of the power specified in section 11(a) shall, in so far as possible, be in a language which the person who is obliged to report under this section or against whom the power is being exercised understands.

10. A person who breaches the obligation to report imposed on him by section 9 shall be guilty of an offence punishable by six months in prison or a fine as specified in section 61(a)(4) of the Penal Law, or if greater, of ten times the amount which he failed to report.

11. (a) In the event of a breach of the obligation to report under section 9, a policeman or customs officer may, without a court order, seize the monies which exceed the amount exempt from reporting; any monies so seized shall remain in the custody of the police or the customs authorities according to the provisions of this section.

(b) Where no financial sanction has been imposed or indictment filed within ten days of the monies being seized, the monies shall be returned to the person from whom they were appropriated; however, on the application of a policeman or customs officer, order the monies to be held for a period of up to ten more days to allow a fine to be imposed or an indictment filed, as the case may be.

(c) The court adjudicating the application referred to in subsection (b) shall make its decision after hearing the arguments of the person from whom the monies were seized, and of the person claiming a proprietary interest in them, if he is know.

(d) The court may, at any time, order restitution of all or some of the monies, subject to such conditions as it shall decide upon, after receiving or without a bond.

(e) Where an indictment was filed against a person who breached the provisions of section 9, the provisions of Chapter Four of the Arrest and Search Ordinance shall apply, mutatis mutandis, to the monies which were seized, and the word "object" in this context shall include monies, as they are defined in section 9.

(f) Where the court convicted the person in breach or imposed a fine or financial sanction on him which was not paid by the date fixed for doing so, the fine or financial sanction may be collected from the monies which were seized or the bond which was given under subsection (d).

(g) Any monies which were seized under this section and not returned shall be transferred to the fund which was established under section 36H of the Dangerous Drugs Ordinance.

Chapter 4A: Money services Providers

11A. In this chapter –

"criminal proceedings" - beginning with the opening of a lawful investigation;

"authorized signatory" - a person who the account holder has authorized to operate his account;

"money" - including a banknote which is the legal tender of a state;

"crime register" - as defined in section 1 of the Crime Register and Rehabilitation of Offenders Law, 5741-1981;

"trustee" - as defined in the Trust Law, 5739-1979;

"beneficiary" - as defined in section 7(a)(1)(a);

"functionary in a corporation" - each of the following: the controlling shareholder in a corporation, a director-general, and in the case of a corporation which is not a company, a person holding a comparable or similar position as aforesaid;

"functionary" –

(1) in the case of a corporation, each of the following:

(a) a controlling shareholder or director of a corporation, Director-General, CEO, Deputy CEO, Vice CEO, or other manager within a corporation who is directly answerable to the CEO, a branch manager of a corporation, as well as anyone occupying a comparable or similar position even if its description is different;

(b) an authorized signatory on the account of a corporation;

(c) a person responsible for the performance of the corporation's obligations under section 8(a);

(2) in the case of a business which is not a corporation –

(a) the general manager, a branch manager and any other person who manages, organizes or directs its commercial operations or a branch of the business;

(b) an authorized signatory on the account of the business;

"control" - as defined in section 7(a)(1)(b).

11B. (a) The Minister of Finance shall appoint a Registrar of Money services Providers from amongst the members of his staff (in this Law - "the Registrar")

(b) The Registrar shall maintain a register of money services providers in accordance with the provisions of this Law (hereinafter - "the register"); the register shall be open to public inspection.

(c) The Registrar shall supervise money services providers in accordance with this Law.

11C. (a) Anyone engaged in providing one of the following services, even if it is not his sole occupation (in this Law - "a money services provider"), must record his details in the register:

(1) converting one national currency into another;

(2) selling or redeeming travelers cheques in any type of currency;

(3) using financial assets in one country to obtain financial assets in another country;

(4) currency conversion;

(5) discounting cheques, bills of exchange and promissory notes;

(6) discounting services as defined in section 7A of the Banking (Service to Customer) Law, 5741-1981;

(7) providing financial assets in return for money;

(8) providing financial assets to a person in return for an assignment of that person's right to receive financial assets from a third party; "providing financial assets" in this context,

excluding the provision of assets as aforesaid held by such person as the Minister of Finance in consultation with the Minister of Justice and the Minister for Internal Security shall specify in an order.

(b) Notwithstanding the contents of subsection (a), none of the following shall be required to register:

- (1) a public body which was established by law;
- (2) a banking corporation;
- (3) an insurer;
- (4) a salaried worker who provides money services within the framework of his job with an employer who is a registered money services provider;
- (5) a stock exchange member;
- (6) the Postal Bank;
- (7) a person to whom the Minister of Finance in consultation with the Minister of Justice and the Minister for Internal Security has granted an exemption from registration as a money services provider in an order.

(c) In this section, "financial assets" - cash, travelers cheques, cheques, bills of exchange, promissory notes, negotiable securities, credit or monetary deposits.

11D. (a) An application for registration of a money services provider shall be submitted to the Registrar and shall include each of the following:

- (1) the name, identification details and address of the applicant and the beneficiary, if there is one; where the applicant is a corporation, the application shall also include the documents attesting to its incorporation or regulating its activities and the names, identification details and addresses of its functionary; where the applicant is an unincorporated business, the application shall also include the names, identification details and addresses of its functionary;
- (2) details of the applicant's head office, the addresses of the branches which the applicant wishes to operate and names, identification details and addresses of their managers, if there are any;
- (3) details of the applicant's other vocations, if he has any;
- (4) any additional details stipulated by the Minister of Finance.

(b) Documents attesting to conformity with the registration requirements specified in section 11E shall be attached to the application, as well as, for the purposes of sections 11E(a)(4) and (b) and 11I(a)(2) and (d) - (f), the consent of the applicant, and functionary in a corporation or unincorporated business, to the registrar obtaining information from the crime register, before the applicant's registration and at any time thereafter, so long as registration shall be required under this chapter.

(c) The Registrar shall be entitled to demand from the person applying for registration any additional information or documents required in order to process the application.

(d) In this section –

"identification details" - identity card number; in the case of a foreign national whose countries of citizenship and residence do not issue identity cards, any other official identification and serial number ordinarily used in his own country, as well as a valid passport number and the name of the country which issued it;

"address" - including at least each of the following: the street name, house number, town and post code, and in the case of an address outside Israel, the name of the country as well.

11E. (a) The Registrar shall register an applicant for registration in the register provided he or it satisfies each of the following requirements, as the case may be:

(1) in the case of an individual applicant - he is an adult and an Israeli citizen or a resident of Israel;

(2) in the case of a corporate applicant which was incorporated in Israel - at least one of its functionary is an adult and an Israeli citizen or a resident of Israel;

(3) in the case of a corporate applicant which was incorporated outside Israel - in the country in which the corporation is registered legislation exists which prohibits money laundering, and it is lawfully registered in Israel;

(4) none of the following apply to the applicant, or in the case of a corporation or unincorporated business, to any of its functionary;

(1) he has not been convicted of an offence under sections 3 and 4, unless the Registrar shall find, having regard to the special circumstances in which the offence was committed and its severity, that there is no reason to disqualify him from serving as a money services provider;

(2) he has not been convicted of any other offence which due to its nature, severity or circumstances, makes him unfit in the Registrar's view to serve as a money services provider;

(3) a financial sanction has not been imposed on him under Chapter 5, as a result of a breach which due to its nature, severity or circumstances, makes him unfit in the Registrar's view to serve as a money services provider;

In this paragraph and in subsection (b) –

"convicted of an offence" - including where he was convicted of a similar offence in another country;

"applicant for registration" - including the beneficiary, if one exists.

(b) Should the Registrar become aware that criminal proceedings for one of the offences referred to in subsection (a)(4) are being conducted against the applicant for registration or against one of its functionary, he shall be entitled to defer his decision concerning the registration application until those proceedings have been concluded.

11F. (a) Should any change occur with regard to any of the details submitted under sections 11D(a) or (c) and 11E(a), then the money services provider shall notify the Registrar in writing of that change within 7 days from the date on which he became aware of it.

(b) Should a money services provider change the location of his place of business or one of its branches, then he shall notify the Registrar of this in writing within seven days from the date of the change, and shall return the registration certificate to him within thirty days from the date as aforesaid.

(c) Should a money services provider cease being involved in the provision of money services, then he shall notify the Registrar of this in writing within 7 days from the determining date and shall return the registration certificate to him within thirty days from the date as aforesaid. Where the money services provider had operated a number of branches, then he shall return the registration certificates that were issued for all of them; where he ceased providing money services at some of the branches, he shall return only those certificates belonging to the branches in question; for the purposes of this subsection, "the determining date" - the 101st consecutive day from the date on which he last provided money services.

(d) Should the Registrar become aware that the money services provider had died or been declared legally incompetent, then he shall issue directions regarding the return of the registration certificate and the closure of his business; however, the Registrar shall be entitled to permit the money services to continue being provided for a period of up to 90 days in the name of the deceased or legally incompetent operator in order to protect his rights, those of his heirs, or those of a third party who is connected with his business; in his decision the Registrar shall stipulate who is to provide the money services in place of the deceased or legally incompetent operator (hereinafter - "the temporary operator"); upon the expiry of the said period, the temporary operator shall return the registration certificate to the Registrar; a record of the Registrar's decision regarding this matter and the temporary operator's identification details shall be noted in the register.

(e) Should a former money services provider decide that he wishes to return to that vocation, then he shall file a new registration application with the Registrar and shall not engage in the provision of money services until he has been reregistered.

11G. (a) Should the Registrar decide to register the person requesting registration as a money services provider in the register, then subject to his paying the fees which he is obliged to pay under section 32(A1)(1), the Registrar shall give the applicant a registration certificate;

a registration certificate shall remain valid until the end of the calendar year in which it was given; where the money services provider has branches, the Registrar shall give him a separate registration certificate for each branch which he approved; the certificate shall contain the address and registration number of the branch; the registration shall only be valid regarding the provision of money services at the address stated in the registration certificate.

(b) A money services provider shall display the registration certificate in a prominent place at every one of his branches and shall print the registration number on every sign, advertisement or document which he shall issue, although the Registrar shall be authorized to exempt a money services provider for whom the provision of money services is not his only vocation from having to indicate the registration number as aforesaid subject to such conditions as he shall direct.

(c) Should the money services provider notify the Registrar of a change of a branch address and return its registration certificate to him, the Registrar shall issue a new registration certificate for the branch in question bearing its new address and shall cancel the former certificate; the changes made pursuant to this section shall be recorded in the register.

11H. Should the Registrar reject the applicant's request to be registered as a money services provider then he shall explain the reasons for his decision and give the applicant an opportunity to plead his arguments before him within 30 days of the date on which he was served with the decision; the applicant's arguments shall be submitted in writing, however he shall also be entitled to appear before the Registrar in order to plead his arguments verbally.

11I. (a) The Registrar shall be entitled to delete a money services provider from the register in each of the following scenarios:

(1) the money services provider no longer satisfied one of the requirements stipulated in section 11H(a)(1) - (3);

(2) one of the disqualifying events specified in section 11E (a)(4) had occurred in relation to the money services provider, a beneficiary, if there is one, or, if the money services provider is a corporation, a person holding a controlling shareholder in it;

(3) the money services provider breached another provision contained in this chapter.

(b) Before deciding to delete a money services provider from the register as stated in subsection (a), the Registrar shall give him, or the controlling shareholder of the corporation, as the case may be, an opportunity to plead his arguments before him as stated in section 11H within 30 days of the date on which the money services provider was served with the Registrar's decision in writing;

(c) Should the Registrar be convinced that a money services provider had committed a breach of another provision contained in subsection (a)(3), then before deciding to delete him from the register, the Registrar shall demand that he remedy that breach, and after giving the money services provider an opportunity to plead his arguments, to meantime suspend his registration for a period of up to 30 days; should the breach not be remedied within the aforementioned period, then the Registrar shall be entitled to delete the offending money services provider from the register.

(d) Should the Registrar become aware that criminal proceedings or proceedings before financial sanctions committees, as the case may be, are being conducted against a registered money services provider, a beneficiary, if there is one, or, where the money services provider is a corporation, against the person holding a controlling shareholder in it as well, for an offence or breach as stated in section 11H(a)(4), then he shall be entitled to suspend the money services provider's registration until those proceedings have ended; before deciding to suspend the registration of a money services provider from the register, the Registrar shall give him and the controlling shareholder of the corporation, as the case may be, an opportunity to plead their arguments before him as stated in section 11H within 30 days from the date on which the money services provider was served with a notice in writing from the Registrar.

(e) Should the Registrar become aware that an functionary in a corporation or in an unincorporated business which provides money services or a branch manager of a money services provider, had been convicted of an offence or that a pecuniary sanction had been imposed on one of them under section 11E(a)(4), then he shall be entitled, before deciding to delete the money services provider from the register,

to demand that it dismiss the person who had been convicted of the offence or who had a financial sanction imposed on him as aforesaid, within such period as the Registrar shall determine; should the money services provider refuse to do so, then the Registrar shall be entitled to delete it from the register, after giving it and the person who had been convicted or financially sanctioned an opportunity to plead their arguments before him as stated in section 11H within 30 days of the date on which the money services provider was served with a notice in writing from the Registrar; in this subsection and in subsection (f), "an functionary in a corporation" - excluding a controlling shareholder.

(f) The provisions of subsections (d) and (e) shall apply, mutatis mutandis, to an functionary in a corporation or in an unincorporated business against whom criminal proceedings or proceedings before sanctions committees are being taken, as the case may be, for an offence or breach as stated in section 11E(a)(4).

(g) Should a money services provider inform the Registrar that he has ceased providing money services, the Registrar shall delete him from the register.

11J.(a) The Registrar shall serve the money services provider with a notice in writing of his decisions under sections 11E(b), 11(D), 11H and 11I.

(b) A person who sees himself as having been detrimentally affected by a decision of the Registrar which he received pursuant to subsection (a), shall be entitled within 30 days of the date on which that decision was served on him to file a petition against it with the Administrative Affairs Court.

11K. (a) The Registrar shall publish a notice in the Official Gazette regarding each of the following:

- (1) the registration of a money services provider, including his name, address and the addresses of any branches;
- (2) a change of a money services provider's address or the address of any of his branches;
- (3) the deletion of a money services provider or one of his branches from the register or the suspension of his registration;
- (4) the re-registration of a money services provider whose registration had been suspended;
- (5) the appointment of a temporary operator pursuant to section 11F(d).

(b) A notice as stated in paragraphs (1) - (3) of subsection (a) shall also be published on the Internet; the website on which the aforementioned information may be found shall be published with reasonable frequency in three widely distributed daily newspapers in Israel, at least one of which shall be in the Hebrew language and one in the Arabic language.

11L. (a) A money services provider who does one of the following shall be guilty of an offence punishable by a year's imprisonment or a fine of three times that stated in section 61(a)(4) of the Penal Law:

- (1) providing money services without being registered in the register contrary to the provisions of sections 11C and 11F(e);
- (1A) giving false details in an application for registration of a money services provider submitted pursuant to section 11D or in a notice to the Registrar given pursuant to section 11F(a) - (c);

(2) failing to submit a notice to the Registrar in writing as required under section 11F(a) - (c).

(b) A money services provider or temporary operator as stated in section 11F(d) who fails to return a registration certificate to the registrar contrary to the provisions of section

11F(b) - (d), or to display the registration certificate at his place of business or to indicate his registration number contrary to the provisions of section 11G(b), shall be guilty of a strict liability offence punishable by a fine as stated in section 61(a)(4) of the Penal Law;

Chapter 4B: Inspectors and their Powers

11M. (a) In this chapter, "the Supervisor" - each of the following:

(1) with regard to a banking corporation - the Supervisor of Banks;

(2) with regard to a stock exchange member - the Chairman of the Securities Authority;

(3) with regard to an insurer or insurance broker - the Insurance Supervisor;

(4) with regard to a provident fund and a company which manages a fund as aforesaid – the Capital Market Supervisor;

(5) with regard to the postal bank - the Minister of Communications or a public servant authorized by him to act in that capacity;

(6) with regard to a money services provider - the Registrar of Money services Providers as defined in section 11B;

(7) with regard to one of the bodies listed Schedule 3 pursuant to section 33(b) - the Minister responsible for that body or a public servant who he shall appoint to act in that capacity.

(8) with regard to a dealer in precious stones - the Diamond Supervisor appointed by the Minister of Industry, Trade and Employment;

(b) A notice of the appointment of a supervisor under subsections (a)(5) - (7) shall be published in the Official Gazette by the Minister responsible for the body reporting under Chapter 3 (hereinafter - "the supervised body").

11N. (a) (1) In order to supervise implementation of the provisions of this Law, the Supervisor shall appoint inspectors who shall exercise their powers in relation to the supervised body under this Law;

(2) a person who is not a public servant shall not be appointed to serve as an inspector if for reasons of public order the Israel Police objected to his appointment;

(3) An inspector shall not be appointed unless he received suitable training as determined by the Director.

(b) In order to fulfill his responsibilities, an inspector shall be entitled –

(1) to demand that any person concerned with the matter give him information and documents relating to the activities of the supervised body to ensure that it is complying with its obligations under this Law; in this section, "documents" – including computer material and printouts;

(2) after identifying himself, to enter and carry out an inspection of premises from which he has a reasonable basis for assuming the supervised body is operating and to demand that he be presented with all the documents connected with the supervised body's activities; an inspector shall not, however, enter premises which are used exclusively for residential purposes unless pursuant to a court order;

(3) to seize a document, if he has a reasonable basis for assuming that one of the provisions contained in Chapters 3 and 4 A has been breached; although an original document shall not be seized if a certified copy of it shall suffice.

(c) For the purposes of this section, "computer material" and "printout" - as defined in the Computer Law, 5755 – 1995.

(d) Where the Supervisor or an inspector has been granted supervisory powers over the supervised body by another law, then he shall also be entitled to exercise them when discharging his supervisory functions pursuant to this Law.

11O. (a) The provisions of Chapter 4 of the Criminal Procedure (Arrest and Search) Ordinance [New Version], 5729-1969 shall apply, mutatis mutandis, to a document seized pursuant to section 11N(b)(3) as a result of a breach of the provisions of Chapter 4A.

(b) The following provisions shall apply to a document seized pursuant to a suspected breach of section 11N(b)(3):

(1) the inspector shall hand over the seized document to the Supervisor, who shall be entitled to retain possession of it until he shall present it to the committee charged with imposing a financial sanction as stated in Chapter 5 (hereinafter - "the Committee");

(2) After a document has been submitted to the Committee, the Committee shall determine, within the framework of its decision regarding the imposition of a financial sanction, whether to return the document to the person from whom it was taken, or whether to continue holding it;

(3) Should a document not be submitted by the Supervisor to the Committee within six months from the date on which it was seized, then it shall be returned to the person from whom it was taken;

(4) A person from whose possession a document was seized pursuant to section 11N(b)(3) shall be entitled to appeal before a Magistrates Court and request its return; should the Committee's decide not to return the document, the appeal shall be filed within 30 days from the date on which he was served with that decision.

Chapter 5: Financial sanction

12. In this chapter –

"the Supervisor" - each of the following:

(1) the Supervisor as defined in section 11M;

(2) for the purposes of Chapter 4 - the Commissioner as defined in the Income Tax Ordinance;

(3) A person employed by one of the officials referred to in paragraphs (1) and (2) who was authorized by him to serve as supervisor for the purposes of this chapter;

"committee" - a committee empowered to impose financial sanctions under this chapter.

13. (a) The Governor of the Bank of Israel, the Minister for Industry, Trade and Employment, the Minister responsible for the Customs and VAT Department or one of the bodies listed in Schedule 3, shall each appoint with regard to the bodies under their control, a committee authorized to impose a financial sanction under this chapter.

(b) Each committee shall have three members: the Supervisor, who shall be the chairman, an employee appointed by him from amongst the staff of his department, and in the case of a committee established by the Minister for Industry, Trade and Employment - an employee from amongst the staff of his department who the Minister shall appoint as aforesaid, after consultation with the Supervisor, and a jurist whom the Minister of Justice shall appoint from amongst the staff of his department.

(c) The Minister of Justice shall decide upon the committee's terms of reference and the criteria for the imposition of financial sanctions after consultation with one of the following:

(1) in the case of a committee established under section 14 - the Governor of the Bank of Israel, the Minister for Industry, Trade and Employment or the Minister responsible for one of the bodies listed in Schedule 3, as the case may be;

(2) in the case of a committee established under section 15 - the Minister of Finance.

(d) Decisions shall be taken by the committee by majority vote.

14. (a) Should the committee find that a person had breached the provisions of sections 7, 7A or 8A, it shall be entitled to impose on him, and if he is employed by a corporation – on that corporation, a financial sanction of up to ten times the amount of the fine specified in section 61(a)(4) of the Penal Law.

(b) Should the committee find that a corporation has failed to appoint a person responsible for fulfilling the obligations as stated in section 8(a) or 8A(f), as the case may be, it shall be entitled to impose a financial sanction on that corporation of up to the amount of the fine specified in section 61(a)(4) of the Penal Law.

15. (a) Should the committee find that a person is in breach of the reporting obligation as set out in the provisions of section 9, it shall be entitled to impose on him a financial sanction of up to half to the amount of the fine specified in section 61(a)(4) of the Penal Law or up to five times the amount which was not reported, whichever is the larger figure.

(b) Where a financial sanction was imposed on and paid by a person under this section, he shall not be indicted with respect to the breach for which the financial sanction was imposed.

16. (a) The Minister of Justice, in consultation as stated in section 13(c), shall be entitled to decide, within the limits of the maximum figures stipulated in sections 14 and 15, different levels of financial sanction for various breaches of the provisions contained in sections 7-9, having regard to the extent and circumstances of the breach and the circumstances of the offender, including whether it was a repeated breach.

(b) Where the Minister of Justice determined the amount of the financial sanction as stated in subsection (a), the amount of the financial sanction imposed on the offender shall not exceed that figure.

(c) The size of the financial sanction under this chapter shall be calculated using the revised amount of the fine specified in section 61(a)(4) of the Penal Law in force on the day on which the sanction was imposed; where an appeal was filed and the court adjudicating that appeal or the Supervisor ordered a stay of payment pending the outcome of that appeal, the amount of the financial sanction shall be determined according to its adjusted value on the date on which the decision on appeal was given.

(d) For the purposes of this section, "repeated breach" - a breach which was committed within two years of a previous breach of the same provision for which a financial sanction was imposed on the offender or for which he had been convicted.

17. Before imposing a financial sanction, the committee shall give the offender an opportunity to plead his arguments; should it decide to impose a financial sanction on him, the committee shall send the offender a written demand pertaining thereto and the pecuniary sanction shall be paid within 30 days of the date on which he received it.

18. The provisions of the Taxes (Collection) Ordinance shall apply to the collection of a pecuniary sanction.

19. Should a financial sanction not be paid on time, linkage differentials and interest (hereinafter: "linkage differentials and interest") shall be added to the outstanding amount in accordance with the Adjudication of Interest and Linkage Law, 5721-1961 from the date on which payment became due until the date of actual payment.

20. (a) A demand for payment of a financial sanction may be appealed in the Magistrates Court.

(b) The time period for filing an appeal shall be 30 days from the date on which the pecuniary sanction payment demand was served.

(c) Unless the court or the committee directs otherwise, the lodging of an appeal shall not defer payment of the financial sanction.

(d) Should the appeal be allowed after the financial sanction had been paid, then the amount thereof shall be returned together with linkage differentials and interest from the date of payment to the date of reimbursement.

(e) Subject to leave being granted, an appeal may be filed against the Magistrates Court's ruling before a single judge.

Chapter 6: Forfeiture Provisions

21. (a) Should a person be convicted under sections 3 or 4, then unless the court feels it would be unjust to do so for special reasons which it shall record, the Court shall order, in addition to any other punishment, that the defendant's property having the same value as the following property shall be forfeited –

(1) property which was the object of the offence or which was used or intended to be used to either commit the offence or facilitate the commission of the offence;

(2) property which was or was intended to be directly or indirectly obtained as payment for or as a result of the offence;

(b) For the purposes of this section, "the defendant's property" – any property in his possession, under his control or in his account.

(c) Should the defendant's property be insufficient to enable full implementation of the forfeiture order, then the court shall be entitled to direct that the order be discharged out of property belonging to a third party which the defendant paid for or gave gratuitously; the court shall not issue such a direction with respect to property which was paid for or given by the defendant to that third party prior to the commission of the offence for which the defendant was convicted, and with respect to which the forfeiture order was given.

(d) The court shall not order the forfeiture of property as stated in this section before giving the defendant, the owner, the person in possession or control and anyone claiming a right in the property, if known, an opportunity to plead their arguments.

(e) Where a person other than the defendant claims a right in the property specified in subsection (d), and the court is of the opinion, that for reasons which shall be recorded an examination of the arguments might impede progress in the criminal trial, then it may direct that the forfeiture matter be adjudicated within the framework of civil proceedings; should the court issue such a direction, the provisions of subsection (c) shall apply to the civil proceedings.

(f) The prosecutor's request to forfeit property under this section and a description of that property shall be included in the indictment; the prosecutor may amend the indictment at any stage of the proceedings prior to sentencing in order to include a request for the forfeiture of additional property, the existence of which was only discovered after the original indictment had been served.

22. (a) The District Court, on the application of a District Attorney, may order the forfeiture of property within the framework of civil proceedings (hereinafter: "civil forfeiture") where it is satisfied that the following two conditions have been satisfied:

(1) the property had been used in or directly or indirectly obtained through or as payment for the commission of an offence under sections 3 or 4;

(2) the person who is suspected of having committed that offence does not permanently reside in Israel or cannot be found and therefore an indictment cannot be served against him, or the property referred to in paragraph (1) was only discovered after the conviction.

(b) The respondent in the application shall be a person claiming a right in the property, if he is known; should the court issue a direction as stated in section 21(e), then the defendant shall also be joined as a respondent in the application filed under this section.

(c) An appeal may be filed against a decision made under this section in the same way that appeals are filed in other civil matters.

(d) Property belonging to someone other than the suspect shall not be forfeited under this section unless it was proved that –

(1) the proprietor knew that it was being used to commit a crime or consented to such use; or,

(2) the proprietor had not acquired his right for consideration and in good faith.

23. The provisions of sections 36C-36J of the Dangerous Drugs Ordinance shall apply, mutatis mutandis, to forfeiture of property, forfeited property and fines imposed under this Law; for the purposes of this section, "fines" - including a financial sanction imposed within the framework of this Law.

Chapter 7: Exemption from Liability and Auxiliary Powers

24. (a) Failure to undertake any property transaction, including one involving prohibited property, disclosure or non-disclosure, reporting or any other action taken or omission made under the provisions of this Law, in good faith, shall not constitute a breach of confidentiality, trust or any other obligation under the provisions of any law or agreement, and no person shall be held liable for a crime, civil wrong or disciplinary offence because he took or failed to take action as aforesaid.

(b) Where a person is exempt from civil liability as stated in subsection (a), the court may, if it deems it equitable to do so given the circumstances of the matter, and in such manner as it sees fit, order him:

(1) to return what he received from the other party or to pay the value thereof; or,

(2) to fulfill all or part of his half of the bargain, if the other party fulfilled his.

(c) Notwithstanding the provisions of this Law, the lawyer shall act in accordance with the provisions of section 90 of the Chamber of Advocates Law, 5721-1961.

25. (a) Notwithstanding the provisions of any law, apart from vis-à-vis an inspector appointed under Chapter 4B so that he can discharge his obligations, the identity of anyone who acted as stated in section 6 shall not be disclosed except in accordance with subsection (b).

(b) A report received by the police pursuant section 6(1) or transferred to a database pursuant to section 7(d) shall not be regarded as investigation material under section 74 of the Criminal Procedure Law [Consolidated Version], 5752-1992 and shall not be admissible as evidence in any legal proceeding, other than –

(1) one taken under this Law for breach of the reporting obligation under this section or for false or misleading reporting under this Law;

(2) as intelligence material which was presented for a judge to inspect only within the framework of an application for a judicial order.

26. (a) The powers of search and seizure as set out in the Arrest and Search Ordinance shall apply equally, mutatis mutandis, to property for which a forfeiture order may be issued under this Law.

(b) For the purpose of enforcing this Law, a policeman or customs officer shall have the same powers granted by sections 174, 177, 184 and 185 of the Customs Ordinance, while property which is suspected of being tied to the commission of an offence under this Law shall be treated as merchandise the import or export of which is prohibited under the latter Law.

(c) For the purpose of enforcing this Law, a policeman or customs officer shall have the same powers of search granted to them by section 28(b)(4) of the Dangerous Drugs Ordinance and the provisions of section 28(e) and (f) of that Ordinance shall apply to a search conducted under this subsection.

27. (a) In order to implement the provisions of this Law, the Director of Customs shall have the authority to demand information from anyone who owns goods being held under the supervision of the Customs Authority, as well as information pertaining thereto from any person entering or leaving the country.

(b) Should a suspicion arise that an offence has been committed under this Law, a customs officer empowered to investigate (hereinafter - "a customs investigator") shall have the authority to –

(1) investigate a person who is connected with the offence; and for this purpose, he shall have the same powers granted to a police officer under section 2 of the Criminal Procedure (Evidence) Ordinance and the provisions of sections 2 and 3 of that Ordinance shall apply;

(2) demand that a person as referred to in paragraph (1) report to him in order to be interviewed;

(3) mutatis mutandis and subject to the consent of the Regional Commissioner for Investigations, enter and search any place as permitted under section 25 of the Arrest and Search Ordinance;

(4) apply to a Magistrates Court judge for a search warrant under section 23 of the Arrest and Search Ordinance;

(5) seize an object relating to an offence under this Law or which is likely to be admitted in evidence in proceedings brought in connection with the commission of such an offence.

(c) The provisions of sections 23A, 24, 26 - 29 and 33 - 42 of the Arrest and Search Ordinance shall apply to a search and seizure operation under subsection (b)(3) - (5).

(d) In this section, "offence" –

(1) an offence under sections 3 and 4 involving property used to perpetrate a goods smuggling offense under sections 211 and 212 of the Customs Ordinance or under the Import and Exports Ordinance [New Version], 5739-1979, and offences under section 117(b)(3) of the Value Added Tax Law, 5735-1975, which were committed in aggravated circumstances;

(2) an offence under section 10;

(e) With regard to any of the offences referred to in subsection (d)(1), a customs investigator shall have the same powers of arrest, detention and release conferred on a policeman and under the Criminal Procedure (Enforcement Powers - Arrests) Law, 5756-1996 (hereinafter - "the Arrests Law"), and the Regional Commissioner for Investigations and his deputy shall also have the arrest, detention and release powers of a police officer and supervising officer under the Arrests Law, mutatis mutandis.

(f) For the purposes of this section, regional investigation office shall be regarded as a police station.

Chapter 8: The Database, the Competent Authority, Transfer and Preservation of Information

28. The Minister of Justice shall establish within his department a database of the reports which shall be received under this Law and under the Prohibition on Financing Terrorism Law (in this Law - "the database"); the Minister shall institute rules for operating the database and safeguarding the information stored therein.

29. (a) The Minister of Justice shall establish within his department a competent authority to be responsible for the database (in this Law - "the competent authority"); the authority shall be headed by a person who is eligible to be appointed as a District Court judge and who possesses such qualifications as

the Minister shall stipulate; the Minister of Justice shall appoint the director of the competent authority with the approval of the Government; the name of the competent authority shall be: " the Money Laundering and Terror Financing Prohibition Authority".

(b) In order to implement this Law and the Prohibition on Financing Terrorism Law, the competent authority shall administer the database, process and safeguard the information stored therein and take decisions regarding the transfer of that information to the entity which under this Law is authorized to receive it.

(c) No person shall be employed by the competent authority without public security clearance from the Inspector General of the Israel Police or a person who was authorized by him in the matter.

(d) Access to the database shall be restricted to those persons holding positions within the competent authority as determined by the director of that authority with the consent of the Inspector General of the Israel Police.

29A. The director of the competent authority and the employee who was authorized to access the database as stated in section 29(d), shall not be entitled to work or receive a right or benefit from a body reporting under Chapter 3, unless either one year shall have passed from the date on which they retired from the competent authority or they received permission to do so from the Permits Committee which was established under section 11 of the Public Service (Restrictions After Retirement) Law, 5729-1969.

30. (a) Notwithstanding the provisions of Chapter 4 of the Protection of Privacy Law, 5741-1981, the competent authority shall not transfer information from the database other than in accordance with the provisions of this Law and to the authorities specified therein.

(b) (1) For the purposes of implementing this Law and the Prohibition on Financing Terrorism Law, the Trading with the Enemy Ordinance and Part 1 of Chapter 2 of the Struggle Against the Iranian Nuclear Program Law, the competent authority may transfer information from the database to the Israel Police, upon receiving a reasoned request to do so, in accordance with such rules as the Minister of Justice with the concurrence of the Minister for Internal Security shall institute; the aforementioned rules shall specify, inter alia, those persons holding positions in the Israel Police who may request and receive such information;

(2) The Israel Police may include in its request and reasons any information which it has in its possession, including information contained in the crime register, and the competent authority shall be at liberty to inspect such information.

(c) For the purposes of foiling and investigating the activities of terrorist organizations and declared terrorist organizations, acts of terror and the funding of such organizations or activities as aforesaid, preventing trade with the enemy, economic activity with a foreign assisting body, or damage to national security, the competent authority may transfer information stored in the database to the General Security Service, in response to a reasoned request, in accordance with rules to be instituted by the Minister of Justice with the concurrence of the Prime Minister; the aforementioned rules shall specify, inter alia, those persons holding positions in the General Security Service who may request and receive such information; the provisions of subsection (b)(2) shall equally apply, mutatis mutandis, to requests for information submitted under this subsection.

(c1)(1) In order to enable AMAN, the Intelligence and Special Operation's Institute and the MALMAB Security Unit which is to be established by order of the Minister of Defense, to combat the existence and financing of terrorist and declared terrorist organizations, prevent acts of terror, trade with the enemy, economic activity with a foreign assisting body and damage to national security, the competent body shall have the authority to transfer information to them from the database;

(2) the information shall be transferred following the receipt of a reasoned request, in accordance with rules to be issued by the Minister of Justice, with regard to a transfer to the Intelligence and Special Operations Institute - with the Prime Minister's consent, and to AMAN and the MALMAB Security Unit to be established by order of the Minister of Defense, with the consent of the Minister of Defense; the rules referred to in this subsection shall specify, inter alia, those persons holding positions in the aforementioned bodies who may request and receive the information;

(3) The provisions of subsection (b)(2) shall equally apply, mutatis mutandis, to requests for information submitted under this subsection.

(4) The details of the MALMAB Security Unit which was established by order of the Minister of Defense do not have to be published in the Official Gazette or in any other public document; similarly, the Minister shall be entitled to order that for reasons of national security some of the rules instituted under this section do not have to be published in the Official Gazette or in any other public document.

(d)(1) Should the competent authority deem it inappropriate to accede to a request for information, the person who submitted it may file an appeal before the Attorney-General;

(2) The Attorney-General may allow or dismiss the appeal or to make the transfer of information dependent on satisfying such conditions as he shall stipulate;

(3) In order to assist him in reaching his decision regarding the appeal, the Attorney-General may inspect the information stored in the database himself.

(e) In order to prevent offences under this Law, the Prohibition on Financing Terrorism Law, the Trading with the Enemy Ordinance and section 29(a) of the Struggle Against the Iranian Nuclear Program Law, safeguard national security or pursue the war against terrorist organizations, declared terrorist organizations and acts of terror, the competent body shall have be entitled on its own initiative, to transfer information from the database to a person who is authorized to receive it under this Law.

(f) In order to implement this Law, the Prohibition on Financing Terrorism Law, the Trading with the Enemy Ordinance and Part 1, Chapter 2 of the Struggle Against the Iranian Nuclear Program Law, the competent authority shall be entitled to transfer information stored in the database which it administers to an authority of its kind in another country, and to request information from such an authority, provided that it relates to property traceable to an offence as defined in section 2 or to terrorist property; the provisions of the Legal Assistance between States Law, 5758-1998 shall apply with regard to this matter.

(g) Information which was passed on to the Israel Police, the General Security Service, the Intelligence and Special Operations Institute, AMAN or the MALMAB Security Unit which was established by order of the Minister of Defense under this Law, shall only be used in order to implement the provisions of this Law, the Prohibition on Financing Terrorism Law, the Trading with the Enemy Ordinance and Part 1, Chapter 2 of the Struggle Against the Iranian Nuclear Program Law, protect national security or pursue the war against terrorist organizations, declared terrorist organizations and acts of terror; however, under

the rules which are to be instituted, those organizations shall be entitled to use the information within the framework of their responsibilities in order to investigate or prevent the commission of additional offenses beyond the scope of this Law, discover criminals and bring them to trial and to investigate and prevent the activities of terrorist organizations or prevent harm to national security.

(h) Notwithstanding the provisions of any law, information received under this section shall not be passed on to another authority except in order to implement the provisions of this Law, the Prohibition on Financing Terrorism Law, the Trading with the Enemy Ordinance and Part 1, Chapter 2 of the Struggle Against the Iranian Nuclear Program Law or to achieve the objectives referred to in subsection (g).

(i) The Minister of Justice shall decide which offences constitute "additional offences" under subsection (g) in relation to which the information as aforesaid may be used for the purposes of investigation and prevention.

(j) In this section –

"terrorist organization", "declared terrorist organization", "act of terror" and "terrorist property" shall have the meanings given to them in the Prohibition on Financing Terrorism Law; "reasoned request" - a request which explains the circumstances and justifications for transferring the information in accordance with the sections in question;

"AMAN" - the Military Intelligence Branch of the Israel Defense Forces;

"MALMAB" - the Security Supervisor Branch of the Defense Ministry;

"foreign assisting body" and "economic activity" - as defined in the Struggle Against the Iranian Nuclear Program Law;

"the Struggle Against the Iranian Nuclear Program Law" - the Struggle Against the Iranian Nuclear Program Law, 5772-2012;

"the Trading with the Enemy Ordinance" - the Trading with the Enemy Ordinance, 1939.

31. (a) The competent authority shall be entitled to apply to a tax authority for information which it requires in order to enforce this Law and the Prohibition on Financing Terrorism Law; the Minister of Finance, within the framework of his authority under the tax law confidentiality rules, shall review the application as soon as possible in the circumstances, and information which he decides to pass on shall be forwarded to the authority without delay.

(b) The Minister of Justice and the Minister of Finance may institute procedural rules for expediting the handling of applications under subsection (a).

(c) The director of the competent authority shall be entitled to request from those bodies which are bound by the obligations set out in Chapter 3, such information as it shall require in order to complete a report received in the database or which is connected with such a report and relates to a person in relation to whom the report was received.

(d) In this paragraph, "tax authority" shall have the same meaning as in the Tax Law Amendment (Exchange of Information between Tax Authorities) Law, 5727-1967.

31A. (a) Any person who while carrying out his job or during the course of his work came into possession of information under Chapters 3, 4 or 4B shall keep it confidential and not disclose it to anyone else or

make use of it other than in accordance with the provisions of this Law or a court order; a person who violates the provisions of this subsection shall be guilty of an offence punishable by three years imprisonment or a fine as stated in section 61(a)(3) of the Penal Law.

(b) A person who negligently causes the disclosure of information to another contrary to the provisions of subsection (a) while breaching one of the provisions which was enacted to protect information under this Law, or a rule or procedure instituted by the director of the competent authority pursuant to those provisions, shall be guilty of an offence punishable by a year in prison or a fine as stated in section 61(a)(3) of the Penal Law.

31B.(a) The director of the competent authority shall submit an annual written report to the Knesset Constitution, Law and Justice Committee detailing each of the following:

(1) the number of reports which were received by the competent authority under Chapter 3 or pursuant to orders issued under section 48(a) of the Prohibition on Financing Terrorism Law, classified according to the type of body which submitted the report as specified in that chapter;

(2) the number of reports which were submitted to the competent authority under Chapter 4;

(3) the number of requests for and transfers of information from the database to the following bodies which are permitted to receive such information:

(a) the Israel Police;

(b) the General Security Service;

(c) a foreign authority as stated in section 30(f);

(d) the Intelligence and Special Operations Institute, AMAN or the MALMAB Security Unit as defined in section 30(j).

(4) the number of money services providers who were registered under Chapter 4A;

(5) the supervisory measures which were reported to him under section 31C.

(b) The committee shall discuss the data submitted under subsection (a)(3) as aforesaid in camera.

31C.(a) The Supervisor as defined in section 11M and the Director of Customs and VAT shall submit periodic reports on their activities regarding implementation of the provisions of this Law to the director of the competent authority.

(b) The Minister of Justice, with the consent of the Governor of the Bank of Israel and the Minister responsible for the Supervisor shall determine the rules and dates for submitting reports to the competent authority.

Chapter 9: Miscellaneous Provisions

32. (a)(1) With the exception of Part 2 of Chapter 3 and Chapters 4A and 4B, the Minister of Justice shall be responsible for overseeing the implementation of this Law and shall be entitled, in consultation with the Minister for Internal Security, to enact regulations and institute rules regarding any matter pertaining thereto;

(2) The Minister of Industry, Trade and Employment shall be responsible for overseeing the implementation of Part 2 of Chapter 3 and shall be entitled, in consultation with the Minister for Internal Security, to enact regulations and institute rules regarding any matter pertaining thereto;

(a1)(1) The Minister of Finance shall be responsible for overseeing the implementation of Part Chapter 4A and shall be entitled to enact regulations and institute rules regarding any matter pertaining thereto, as well as to determine the fees to be charged for registration of a money services provider in the register of money services providers, amending the registration, issuing registration certificates to branches and making changes to registration certificates, an annual fee, and other amounts to be paid for the services being provided by the Registrar under this Law;

(2) Should a money services provider fail to pay the annual fee as he is obliged to do under paragraph (1) by the end of the year to which it relates, then he shall be suspended from the register from the date specified in a warning given to him by the Registrar, until such time as the outstanding fee and the additional fee shall be paid.

(a2)(1) Any Minister responsible for one of the bodies listed in Schedule 3 shall oversee the implementation of Chapter 4 B as it relates to that body and shall be entitled in consultation with the Minister of Justice and the Minister for Internal Security, to enact regulations regarding any matter pertaining thereto;

(2) The Minister of Finance shall oversee the implementation of Chapter 4B in relation to a banking corporation, and the Governor of the Bank of Israel shall be entitled, regarding such a corporation and in consultation with the Minister of Finance, the Minister of Justice and the Minister for Internal Security, to issue directions in an order pertaining thereto;

(3) The Minister of Industry, Trade and Employment shall oversee the implementation of Chapter 4B in relation to a dealer in precious stones and shall be entitled, regarding a dealer in precious stones as foreshaid, and in consultation with the Minister of Justice and the Minister for Internal Security, to enact regulations concerning any matter pertaining thereto;

(b) The Minister of Justice shall determine the procedure for serving an appeal against the imposition of a financial sanction pursuant to Chapter 5.

(c) All regulations, rules and orders issued pursuant to this Law shall require the approval of the Knesset Constitution, Law and Justice Committee.

33.(a) The Minister of Justice, in consultation with the Minister for Internal Security, shall be entitled, in an order, to alter Schedules 3 and 4.

(a1) The Minister of Industry, Trade and Employment, in consultation with the Minister of Justice and the Minister for Internal Security, shall be entitled, in an order, to alter Schedules 1.1 and 3.1.

(b) The Minister of Finance, in consultation with the Minister of Justice and the Minister for Internal Security, shall be entitled, in an order, to alter Schedules 3 and 4, provided that with regard to Schedule 3 he shall also consult with the Minister responsible for the body in relation to which the alteration is being sought.

(c) The Minister of Justice shall publish on 1st January of each year the sums specified in Schedules 2 and 4 after being updated in line with the increase in the new index compared to the base index, provided that

the new index rose 10% or more compared to the base index; the updated sums shall be rounded into multiples of 5,000; in this subsection –

"index" - the consumer price index which is published by the Central Bureau of Statistics;

"the new index" - the last index to have been published before the date of the update;

"the base index" - the last index to have been published before the date of the previous update, and with regard to the date of the first update following the commencement of this Law - the index which was published in July 2000.

34. The provisions of sections 3 and 4 shall also apply to property originating in an offence as defined in section 2 which was committed before the commencement of this Law.

35.(a) The Minister of Justice shall establish the database and the competent authority as defined in sections 28 and 29 within eighteen months from the date of this Law's publication

(b) Chapters 3-5 shall come into force on a date to be stipulated by the Minister of Justice in consultation with the Minister for Internal Security and the Governor of the Bank of Israel or the Minister concerned in the matter, as the case may be, provided it shall be within the time period specified in subsection (a) and after the establishment of the competent authority and the database.

(c) The Minister of Justice shall be entitled to stipulate, in an order, as stated in this section, different dates for the commencement of the aforementioned chapters or part of them.

(d) Section 4 shall come into force on the same date as the regulations under section 6(b).

36. Notwithstanding the provisions of section 14, during the first year after the coming into force of sections 7 and 8, a financial sanction shall not be imposed on a person for his first breach and he shall merely be sent a written warning with regard thereto.

Chapter 10: Statutory Amendments

37. The following paragraphs shall be inserted after paragraph (4) in section 36H(b) of the Dangerous Drugs Ordinance [New Version]:

"(5) implementation of functions assigned to the police and customs authority under this Ordinance and the Prohibition on Money Laundering Law, 5760-2000, including the forfeiture of property under either of those statutes;

(6) implementation of the functions assigned to the competent authority under the Prohibition on Money Laundering Law, 5760-2000, as well as the financing of the database referred to therein."

38. The following paragraph shall be inserted after Item A in Schedule 2 to the Legal Assistance between States Law, 5758-1998:

"B. Offences committed under sections 3 and 4 of the Prohibition on Money Laundering Law, 5760-2000 with property defined as prohibited property in section 3 of that Law."

39. The following paragraph shall be inserted after paragraph (5) in section 13(e) of the Protection of Privacy Law, 5741-1981:

"(6) with regard to a database which was established pursuant to section 28 of the Prohibition on Money Laundering Law, 5760-2000."

Schedule 1

(section 2)

List of Offences

The following offences:

- (1) All offences under the Dangerous Drugs Ordinance other than personal use of a drug, possession for personal use of a drug, possession of premises for personal consumption of a drug and possession of instruments for personal use of a drug;
- (2) Illegal trading in weapons under section 144 of the Penal Law;
- (2A) Piracy under section 169 of the Penal Law;
- (3) Offences relating to acts of prostitution under sections 199, 201, 202, 203, 203B, 204 and 205 of the Penal Law;
- (4) sale and distribution of obscene material under section 214 of the Penal Law;
- (5) gambling offences under sections 225 and the opening lines of section 228 of the Penal Law;
- (6) bribery offences under Article 5 of Chapter 9 in Part 2 of the Penal Law;
- (7) murder and attempted murder under sections 300 and 305 of the Penal Law;
- (8) infringement of liberty offences under Article 7 of Chapter 10 in Part 2 of the Penal Law;
- (9) offences against property under sections 384, 390-393, 402-404 and 411 of the Penal Law;
- (10) vehicle theft, receipt of and trading in a stolen vehicle or stolen vehicle parts under Article 5.1 of Chapter 11 in Part 2 of the Penal Law, excluding those offences contained in sections 413C, 413D(a), 413H, the opening lines of 413F and 413G;
- (11) offences under Article 6 of Chapter 11 in Part 2 of the Penal Law, excluding offences under sections 416, 417 and 432;
- (11A) offences under sections 439-444 of the Penal Law;
- (12) forgery of money and coins under Articles 1 and 2 of Chapter 12 in Part 2 of the Penal Law, excluding offences under sections 463, 466, 467, 480, 481 and 482, as well as installation of a franking device under section 486;
- (13) offences under sections 16, 17 and 18 of the Debit Cards Law, 5746-1986;
- (14) offences under sections 52C, 52D and 54 of the Securities Law, 5728-1968;
- (15) smuggling goods under sections 211 and 212 of the Customs Ordinance or under the Import and Export Ordinance [New Version], 5739-1979;

(16) offences relating to infringement of copyright, patents, industrial designs and trademarks under the Copyright Law, 5768-2007, the Patents Law, 5727-1967, the Patents and Industrial Designs Ordinance, the Trademarks Ordinance [New Version], 5732-1972, and the Merchandise Marks Ordinance;

(17) an offence under section 117(b)(3) of the Value Added Tax Law, 5735-1975, which was committed in aggravated circumstances;

(18) offences under the Prevention of Terrorism Ordinance, the Defense (Emergency) Regulations, 1943 or under Articles 2-6 of Chapter 7 in Part 2 of the Penal Law;

(18A) offences under sections 2, 3 and 4 of the Struggle Against Criminal Organizations Law, 5763-2003;

(18B) an offence under section 80(b) regarding a foreign worker or under section 80(c) of the Employment Service Law, 5719-1959;

(18C) an offence of carrying out work on or using land without a permit or deviating from a permit under section 204 of the Planning and Building Law, 5725-1965, or an offence under section 14 of the Business Licensing Law, 5728-1968, in connection with a refuse disposal site, a refuse transfer station, the collection, transportation, processing, utilization and reprocessing of refuse, or in connection with a petrol or gas station, or the combustion, transportation, storage, parking of tankers containing or sale of petrol and gas, petrol additives, filling gas tankers and the distribution of gas; as well as an offence under section 111 of the Mines Ordinance in connection with the quarrying of sand;

(18D) an offence under section 3 of the Trading with the Enemy Law, 1939;

(18E) an offence under section 29(a) of the Struggle Against the Iranian Nuclear Program Law, 5772-2012;

(19) money laundering offences under section 3 of this Law attributable to one of the offences listed in this Schedule;

(20) conspiracy to commit one of the offences listed in this Schedule.

Schedule 1.1

(section 1)

List of Precious Stones

1. Corundum, including rubies and sapphires
2. Beryl, including emeralds and aquamarines
3. Chrysoberyl
4. Spinel
5. Topaz
6. Zircon
7. Tourmaline
8. Garnet

9. Crystalline quartz
10. Cryptocrystalline quartz
11. Olivine
12. Peridot
13. Tanzanite
14. Jadeite jade
15. Nephrite jade
16. Spodumene
17. Feldspar
18. Turquoise
19. Lapis Lazuli
20. Opal

Schedule 2

(section 4)

Categories of property

A. The following categories of property if sold for NIS 120,000 or more within the framework of a single transaction or a series of transactions carried out during a three month period:

- (1) objets d'art
- (2) ritual objects and Judaica;
- (3) transportation vehicles, including sailing vessels and aircraft;
- (4) precious stones and precious metals;
- (5) securities;
- (6) real estate;
- (7) antiquities;
- (8) carpets.

B. Monies in excess of NIS 500,000 transferred within the framework of a single transaction or a series of transactions during a three month period; where that sum was given as consideration for one of the items of property listed in paragraph A, the value limitation specified therein with respect to that item shall apply; "monies" in this context shall include travelers cheques, bank cheques and financial assets in the form of pecuniary deposits, savings, investments in provident and pension funds, as well as options and future contracts as defined in section 64 of the Joint Investment Trusts Law, 5754-1994.

Schedule 3

(section 7(b))

Additional bodies to which the obligations under Chapter 3 apply

1. A member of the stock exchange.
2. A portfolio manager.
3. An insurer or insurance broker as defined in section 1 of the Insurance Business (Control) Law, 5741-1981.
4. A management company as defined in the Control of Financial Services (Provident Funds) Law, 5765-2005 with regard to the provident funds under its management.
5. A money services provider.
6. The Postal Bank.

Schedule 3.1

(section 8A(b))

Bodies membership of which enables a relaxation of the customer identification rules when entering into a precious stones transaction

1. The Israel Diamond Exchange Ltd
2. The Israel Chamber Precious Stones and Diamonds Exchange Ltd

Schedule 4

(section 9(b))

Sums of money which must be reported

NIS 100,000 or more; in the case of a person entering Israel with an immigrant visa under the Law Of Return, 5710-1950 - NIS 1,250,000 or more.

Ehud Barak
Prime Minister

Yossi Beilin
Minister of Justice

Moshe Katsav
President of the State

Avraham Burg
Knesset Speaker

Extracts from the Companies Act, 5759-1999

Chapter Three: The Registrar Of Companies

Article A: Companies Registry

36. (a) The Minister shall appoint a state employee, who is qualified to serve as a justice of the Magistrate Court, to be the Registrar of companies, and this person shall head the Companies Registry.

(b) The Minister may appoint a state employee as deputy to the Registrar Of Companies and authorized him to exercise the powers of the Registrar.

(c) Where the Registrar is precluded from fulfilling his duties, the Minister may authorize an employee of the Ministry Of Justice to exercise all or any of powers of the Registrar.

37. (a) the Registrar shall determine whether the terms and requirements set forth by this law were fulfilled, concerning the following matters:

(1) Incorporation of the company;

(2) Change of company's name;

(3) Registration of a document;

(4) Merger.

(b) The Registrar may, in order to ensure that a company fulfil its obligations under this law, order that it will provide for his inspection the registers and books that the company should conduct under this law that are open to public inspection or updated copies of them, within a period of not less than fourteen days of such demand.

(c) Where the Registrar has found that the aforesaid registers and books are not updated, it may order the company to update them within a period he shall be determined.

Article B: Management Of Registers

38. (a) The Registrar shall keep a register for each company and shall receive documents and reports for registration or filing in the company files, all as prescribed by the Minister.

(b) The Minister may order that the delivery of documents and reports, registration or filing in the company files, shall be made by way of electronic communication only (hereinafter - electronic filing or reporting).

(c) The Registrar shall keep a register of companies in which he shall register each company and give it an identification number, and the Registrar may give a different type of numbering for types of companies, as prescribed by the Minister.

39. (a) All documents and reports that are to be submitted to the Registrar shall bear the identification number of the company, and shall be signed by one of the office holders of the company with his name and position, as confirmation that the details in it are correct and complete; for the purposes of this section, "office holder of the company" – shall include the secretary of the company or any other person authorized by it for the purposes of this section.

(b) Notwithstanding the provisions of subsection (a), a document or a report submitted by a company under receivership or liquidation, may be signed by the receiver or liquidator.

(c) The provisions of this section shall apply if there is no other provision in this regard under any law.

(d) Where the Minister has made a provision regarding electronic reporting, he may determine that the provisions of subsection (a) for the purposes of signature of the office holder, shall not apply to documents and reports submitted in such way.

40. The actions of a company listed below shall not be valid unless they were registered -

(1) Change of company's name pursuant to the provision of section 31;

(2) Change in company's purposes;

(3) Change in the articles of association which cause the company to become a public benefit company, as set forth in section 345 b (c).

41. (a) A copy certified by the Registrar of any document held or registered with him shall be considered in any legal proceedings as a source, and shall constitute a conclusive evidence that the original document is in the Companies Registry.

(b) Where the Minister has set provisions regarding electronic filing, the provisions of subsection (a) shall apply for the printout of these reports; for the purposes of this section, "printput" - as defined in the Computers Act, 5756-1995.

42. The registration or the existence of a document in the company or with the Registrar, is not by itself an evidence as to the knowledge of its content.

43. The registration that the Registrar administer at the Companies Registry shall be open to public scrutiny and any person may review them and get certified copies of the recorded in them, either by the Registrar or by other mean as authorized by the Registrar, all as determined by the Minister.

44. The Minister may prescribe the following:

(1) Registration and filing procedures and the manners of submitting documents and reports for registration and filing as stated, all including electronic filing or reporting;

(2) The manner of keeping registers at the Companies Registry and the public inspection thereof;

(3) Forms that must be used for the purposes of this Law and the information to be included in them, including the manner of transferring the information in electronic reporting;

(4) The manner of performing the duties of Registrar under this act;

(5) Details that a company or a foreign company must provide the Registrar regarding any shareholder or owner of any other right, and regarding a creditor or office holders;

(6) The amount of the registration fee, annual fee, and other fees and payments, that the Minister stated as payable for acts and services provided by the Registrar under this Law, and that linkage and interest shall be added to fees and other payments under this paragraph that were not paid on time, for the arrears period, pursuant to the Interest And Linkage Law, 5721-1961, until their payment; and the Minister may prescribe the amounts of fees and various payments to different companies based on

criteria he shall set. On the collection of fees and other payments under this paragraph the Tax Ordinance (Collection) shall apply.

Article c: (canceled)

45. (canceled)

CHAPTER THREE: THE BOARD OF DIRECTORS

Article A: Powers Of The Board Of Directors

92. (a) The board of directors shall outline the company policies and supervise the performance of the general manager and his acts, including -

- (1) Determine the action plans of the company, funding principles and priorities between them;
- (2) Examine the financial situation of the company, and set the credit limit the company is entitled to take;
- (3) Determine the organizational structure and the salary and compensation policies;
- (4) May decide on the issuance of a series of debentures;
- (5) Responsible for preparing the financial statements and their approval under section 171;
- (6) Report to the annual meeting on the state of the company's business and financial results as provided in section 173;
- (7) Appoint and dismiss the general manager under section 250;
- (8) Decide in acts and transactions that require its approval under the articles of association or under the provisions of sections 255 and 268 to 275;
- (9) May allot shares and securities convertible into shares up to the limit of the registered share capital of the company under section 288;
- (10) May decide on distribution as provided in sections 307 and 308;
- (11) Provide an opinion regarding special tender offer as provided in section 329;
- (12) In a public company and a private debentures company– shall determine the minimum number of directors required at the board of directors, that must have accounting and financial expertise, as defined under section 240 (in this Law - directors with accounting and financial expertise); the board shall determine the aforesaid minimum number considering, *inter alia*, the type of company, its size, scope and complexity of the company's operations activities, and subject to the number of directors prescribed at the articles of association under section 219.

(b) The powers of the board under this section may not be delegated to the general manager except as specified in section 288 (b) (2).

93. (a) in private company that is not a debentures company, the board include a single person.

(b) The provisions of this article shall apply on a board of directors that includes a single person; the provisions of article F shall apply, *mutatis mutandis*, on the decisions of such board; the other provisions of this chapter shall not apply to a board of directors that includes a single person.

Article B: Chairman Of The Board

94. (a) The board of directors of a public company or a private debentures company shall elect one of its members to serve as chairman of the board, unless a different manner of appointment was prescribed at the articles of association.

(b) A private company that is not a debenture company is not required to appoint a chairman of the board; where no chairman was appointed to the board of directors at a private company that is not a debentures company, each of the directors is entitled to convene the board and to determine its agenda, unless otherwise provided in the articles of association.

95. (a) In a public company the General Manager or his relative shall not serve as chairman of the board of directors of the company, except under the provisions of section 121 (c); any person who reports to the General Manager, directly or indirectly, shall not serve as chairman of the board of directors of a public company; a director of a corporation controlled by a public company may serve as chairman of the board of the public company.

(b) In a public company the chairman of the board or his relative shall not receive the powers of the General Manager, but for under section 121 (c); the chairman of the board or his relative shall not receive powers granted to those who report to the General Manager, directly or indirectly; chairman of the board of a public company shall not serve in any other position in the same company or in a corporation under its control, but it may serve as chairman of the board of directors or as a director of a corporation that is controlled by the company.

(c) The provisions of subsection (a) shall not apply three months from the date on which the company became a public company.

(d) The provisions of this section shall apply to a private debenture company, *mutatis mutandis*, and with the following modification: instate of "section 121 (c)" read "section 121 (d)."

96. (a) The chairman of the board shall conduct its meetings.

(b) Where the chairman is absent from a meeting, the board shall chooses one of its members to conduct the meeting and sign the minutes of the discussion, but the person elected shall not have another vote at the board voting as provided in section 107, all if not otherwise provided in the articles of association .

Article C: Convening Of Meetings Of The Board Of Directors

97. The board of directors shall convene meetings as needed, and at least once a year, and in a public company and a private debentures company, at least every three months.

98. (a) The chairman of the board of directors may convene the board at any time.

(b) The board shall hold a meeting on a subject that shall be specified, on the demand of any of the following:

(1) Two directors, and in a company where the board numbered up to five directors - one director;

(2) One director, if such provision was set at the company's articles of association or the provisions of section 257 applies.

(c) The chairman of the board of directors shall convene the board upon request under subsection (b) or if the provisions of section 122 (d) apply, due to notice or report of the General Manager or by notice of the auditor of the company under section 169.

(d) Where a meeting of the board of directors is not convened within fourteen days of the date when a demand was made as provided in subsection (b), or of the date of notice or report of the general manager in respect of which the provisions of section 122(d) are fulfilled, or of the date of notice by the auditor pursuant to section 169, each of the persons listed in subsections (b) and (c) may convene a meeting of the board of directors to discuss the matter specified in the demand, notice or report, as the case may be, unless the articles of association contain any other provision relating to the date of convening the meeting.

Article Four: Meetings Of Board Of Directors And The Manner Of Their Conduction.

99. The agenda of the board's meetings shall be determined by the chairman of the board, and shall include:

(1) Issues set by the chairman of the board;

(2) Issues prescribed under section 98;

(3) Any issue that a director or the general manager requested from the chairman of the board, in a reasonable time before the convening of the meeting of the board, to be included on the agenda, unless otherwise provided in the articles of association.

100. (a) Notice of board meeting shall be given to all members a reasonable time before the meeting, unless the articles of association otherwise determines the date of delivery.

(b) A notice under subsection (a) shall be delivered to each director's address as was made known to the company prior to the meeting, and will state the time and place of convening the meeting, as well as reasonable details on all issues on the agenda, all unless otherwise provided in the articles of association .

(c) A public company and a private debentures company, cannot condition in their articles of association on the obligation to provide reasonable detail of all items on the agenda in the notice on convening the board meeting, and also on the obligation under subsection (a).

101. Board of directors may hold meetings by using all means of communication, provided that all directors participating can hear each other at the same time, unless such option was revoked in the articles of association.

102. Notwithstanding the provisions of section 100, in a private company that is not a debentures company, the board may, with the consent of all the directors, convene a meeting without notice, unless such option was revoked in the articles of association , and also the board of directors of a private company that is not debentures or public company , in urgent cases and with the consent of the majority of the directors, may convene a meeting without notice.

103. (a) the board may pass resolutions even without the actual convergence, provided that all directors that are entitled to participate in the discussion and to vote on the matter that was brought to the resolution, agreed not to convene regarding this matter, unless such option is revoked in the articles of association .

(b) Where resolutions passed as described in subsection (a), the minutes of the resolution shall be prepared, and shall be signed by the chairman of the board.

(c) The provision of section 108 shall apply on resolution passed under subsection (a), *mutatis mutandis*.

(d) The chairman of the board of directors is responsible for the implementation of the provisions of this section.

104. Quorum required for commencing board meeting shall be most of the board members, unless otherwise provided in the articles of association.

Article E: Voting At The Board Of Directors

105. When voting at the board of directors each director shall have one vote, unless otherwise provided in the articles of association.

106. (a) A director, in his capacity as such, shall use his independent judgment when voting at the board of directors, shall not be party to a vote agreement, and such lack of use of independent judgment or a voting agreement shall be considered a breach of fiduciary duty.

(b) No person shall fill any of the functions of a director unless duly appointed as director, and no person shall harm the independent judgment of a director.

(c) Without prejudice to the provisions of the law, a person who violated the provisions of subsection (b) shall be obliged by the duties and responsibilities of directors under the law.

107. Board's decisions shall pass with a simple majority, where the votes are even the chairman shall have an additional vote, all if not otherwise provided in the articles of association.

Article E: Minutes Of The Board Of Directors Meetings

108. (a) The company will prepare minutes of the proceedings at board meetings, and keep them at the registered office or at another address in Israel that was made known to the Registrar, for a period of seven years from the date of the meeting.

(b) Minutes of the board's meeting that were approved and signed by the director who chaired the meeting, shall serve as *prima facie* evidence of their contents..

Article G: Defects In Convening Board Meeting

109. (a) A resolution passed at a meeting of the board of directors convened where the prerequisites for convening were not met (hereinafter – defect in convening) can be canceled with the request of any of the following:

(1) A director present at the meeting, provided that he demanded to avoid making the resolution before it was taken;

(2) A director who is entitled to be invited to the meeting but did not attend it, within a reasonable time after learning of the decision and no later than the first board meeting held after he learned of the decision;

(3) Where the defect was concerning the notice regarding the meeting convening place or date, a director who arrived at the meeting despite the defect may not demand the cancellation of the resolutions.

(b) The provisions of subsection (a) shall not affect the validity of an act done for the company and in respect of which the provisions of the last part of section 56(a) were fulfilled.

Article H: Committees Of The Board

110. (a) The board of directors may establish committees of the board, unless otherwise provided in the articles of association.

(b) A person who is not a member of the board of directors shall not serve in a board's committee to which the board of directors delegated any of its powers.

(c) A person who is not a member of the board of directors may serve in a board's committee charged with advising the board or make recommendation only, unless otherwise provided in the articles of association.

111. (a) A resolution passed or an act performed by a board's committee by power delegated to it by the board of directors, shall be considered as a resolution passed or an act performed by a board of directors, unless otherwise provided in the articles of association.

(b) The board's committee shall report to the board of directors regularly on its resolutions or recommendations; resolutions or recommendations of a board's committee that require the approval of the board, shall be brought to the directors' knowledge a reasonable time before the discussion at the board.

(c) Articles b through g shall apply, *mutatis mutandis*, to the convening of meetings of committees and the manner in which they are conducted.

(d) The minutes of the meetings of the board's committee shall be prepared and shall be kept as provided in section 108.

112. (a) The board may not delegate its powers to board's committee with regard of the following issues:

(1) Determining the general policy of the company;

(2) Distribution, unless with regard of acquisition of the shares of the company in accordance with the framework outlined in advance by the board;

(3) Determining the position of the board of directors in issue that require the approval of the general meeting or giving an opinion under section 329;

(4) The appointment of directors, if the board of directors is entitled to appoint them;

(5) The issue or allotment of shares or securities convertible into or exercisable into shares, or of debenture series, except as specified in section 288 (b);

(6) Approval of financial statements;

(7) Approval of the board of directors for transactions and acts that require the approval of the board under the provisions of sections 255 and 268 to 275.

(b) a company may not stipulate conditions in its articles of association on the provisions of subsection (a), but it may determine in its articles other issues where resolutions shall be passed by the board of directors only.

(c) The board may set up committees on the subjects listed in subsection (a) for recommendation purposes only.

113. Board of directors may revoke a resolution of a committee appointed by it, but revoking such resolution shall not prejudice the validity of a resolution of the committee pursuant to which the company has acted towards another person who was unaware of it being revoked

Article I: The Audit Committee

114. Board of directors of a public company or a private debentures company, shall appoint from among its members an audit committee, and the provisions of article H shall apply to it, *mutatis mutandis*.

115. (a) The number of members of the audit committee shall not be less than three, all external directors shall be members in this committee, and most of its members shall be independent directors.

(b) (1) The following shall not be members of the audit committee: chairman of the board and any director employed by the company, or employed by a controlling shareholder or by a corporation controlled by such controlling shareholder, a director who regularly provides services to the company, to a controlling shareholder or to a corporation controlled by such controlling shareholder, and a director whose main livelihood is from a controlling shareholder;

(2) The provisions of paragraph (1) shall not apply to state employee regarding membership in the audit committee of a government company or government subsidiary, provided that the Minister responsible for the company is not the Minister responsible for the firm which employed the state employee in question.

(c) A controlling shareholder or his relative shall not be members of the audit committee.

(d) The chairman of the audit committee shall be an external director, or state employee as stated in subsection (b) (2) who is not serving as chairman of the committee for more than nine years.

(e) A person who is not entitled to be a member of the audit committee shall not be present during the committee's meetings at the discussions and when passing resolutions, unless the chairman of the committee prescribed that this person is required to present a particular subject, however -

(1) A company employee who is not a controlling shareholder or his relative may be present at meetings of the committee during the discussion, provided that the resolution shall be accepted without his presence;

(2) Without prejudice to paragraph (1), the Attorney General and secretary of the company who are not a controlling shareholders or their relative may be present during the discussion and when the resolutions are accepted, if it was requested by the committee.

(f) Notwithstanding the provisions of subsection (e), where the audit committee serves as a committee to examine the financial statements under section 171 (e), the provisions under that section shall apply at the time of the discussion on the financial statements.

116. (a) The company's internal auditor shall be notified of meetings of the audit committee and shall be allowed to attend them.

(b) The internal auditor may request the chairman of the audit committee to convene the committee to discuss issue that shall be detailed in his request, and the chairman of the audit committee shall convene it within a reasonable time from the request date, if he finds reason to do so.

(c) Notice of a meeting of the audit committee that deals with a subject relating to the audit of financial reports, shall be served to the auditor, and he will be allowed to participate in it.

116a. The quorum for discussion and passing resolution at the audit committee shall be most of the committee's members, provided that most of those present are independent directors and at least one of them is an external director.

117. The functions of the audit committee shall be as follow:

(1) To locate the deficiencies in the business management of the company, including with consultation with the internal auditor of the company or the auditor, and to propose the board of directors ways to rectify them; where the audit committee found such fault that is a substantial fault, it will hold at least one meeting regarding the fault in question, with the presence of the internal auditor or the auditor, as applicable, and without the presence of office holders who are not members of the committee; notwithstanding the provisions of this section, an office holder may be present to present a position reading as issue that is in his areas of responsibility;

(1 a) To decide on the basis of arguments set forth, regarding acts as provided in section 255 , whether those are substantial acts or non- substantial acts, and for transactions specified in section 270 (1), (4) and 4 (a) whether those are extraordinary transactions or non- extraordinary transactions, for the purpose of their approval under this Law, and the audit committee may resolve as to types of acts or transactions, based on criteria set annually in advance;

(2) To decide whether to approve acts and transactions that require the approval of the audit committee pursuant to sections 255 and 268 to 275;

(3) In a company where the work plan of the internal auditor is approved by the board under section 149 - to examine the work plan for approval before it is being submitted to the board of directors, and to propose modification to it;

(4) To examine the internal audit system of the company and the functioning of the internal auditor, and also if he has at his disposal the resources and tools needed to fulfill his role, taking into account, *inter alia*, the special needs of the company and its size;

(5) To examine the scope of work of the auditor and his salary, and to provide recommendations to whomever determines the auditor's salary under sections 155 and 165; where the company appointed a committee to inspect the financial statements under section 171 (e), it may determine that the inspection under this paragraph shall be conducted by the aforesaid committee;

(6) To make arrangements for the handling of complaints of employees regarding deficiencies in managing its business and for the protection to be given to employees who complained as aforesaid.

118. (a) In a private company that is not a debentures company, the board may appoint from among its members an audit committee and the provisions of section 115 shall not apply, but a director employed by the company or supplying services to it regularly shall not serve in the committee, and a controlling shareholder or his relative shall not be chairman of the committee; the functions of the audit committee shall be as specified in section 117.

(b) Audit committee shall not be appointed in a private company that is not a debenture company, that its rule is as prescribe in section 117 (2), that most of its members are substantial shareholders or their relatives.

Article J: Compensation Committee

118a. (a) The board of directors of a public company or a private debentures company shall appoint from among its members a compensation committee (in this Act - compensation committee).

(b) The number of the members of the compensation committee shall not be less than three, all external directors shall be members and they shall be the majority of its members, and the remaining members shall be directors whose terms of service and employment are in accordance with the provisions set out in article 244 , and in government company - in accordance with the provisions set out in section 19 of the Government Companies Law 5735-1975, as applicable; the chairman of the committee shall be an external director.

(c) the provisions of article H and section 115 (b) to (e) shall apply to the compensation committee, *mutatis mutandis*.

118 b. The functions of the compensation committee are as follow:

(1) To recommend the board of directors regarding the compensation policy for office holders, as defined in section 267 (a), and to recommend every three years regarding the approval of the continued validity of a compensation policy set for a period exceeding three years, as provided in section 267 (d);

(2) To recommend the board concerning the updating the compensation policy from time to time, and to examine the implementation of it;

(3) To decide whether to approve transactions concerning conditions of service and employment of office holders that require the approval of the compensation committee under sections 272, 273 and -275;

(4) To exempt a transaction from the approval of the general meeting under section 272 (c 1) (3).

CHAPTER THREE: REPORTING

Article A: Reporting Of A Non-Reporting Company

140. A non-reporting company shall send to the Registrar of companies an annual report, under section 141, and shall report to the Registrar as set forth in this act and on the following matters:

(1) Changes in the articles of association under section 21 including resolution to change name under section 31, and increasing or reducing the registered capital as provided in sections 286 and 287;

(2) Change of address of the registered office under section 123;

(3) A notice under section 159, that the company has no auditor;

(4) Appointments to the board of directors and changes in its composition, as provided in section 223;

(5) Allocation of shares under section 292;

(6) Transfer of shares under section 299, fourteen days from the date of the transfer;

(7) Merger under section 317;

(8) Change in the company type, under section 343;

(9) (deleted)

141. (a) A non-reporting company shall prepare and submit to the Registrar, once a year, an annual report as prescribed by the Minister, within fourteen days after the annual general meeting.

(b) A non-reporting company that does not hold annual general meeting under section 61, shall submit its annual report, once a year, not later than fourteen days after delivery of the financial statements to shareholders, and for inactive company that does not prepare financial statements under the provisions of section 172 (g) - once a year.

(c) (canceled)

Article B: Reports Of A Reporting Company

142. (a) (canceled)

(b) A reporting company shall report to the Securities Authority, to the stock exchange where the securities of the company are listed and to the Registrar of companies, as required under this act, under the securities act or under any other law.

143.¹ (a) Reports submitted to the Securities Authority as provided in section 142 shall be open to public inspection at the Securities Authority and any person may review them and get certified copies of the recorded in them, either by the Securities Authority or by others that the Authority empowered them to do so, unless the inspection was limited by any law.

(b) A certified copy under subsection (a), shall be accepted in any legal proceedings as a source, and will be conclusive evidence that the original document is held by the Securities Authority.

(c) Where provisions were set regarding the electronic filing or reporting under the Securities Act, the provisions of subsection (b) shall apply for the printout of these reports; for the purposes of this section, "printout" - as defined in the computers act, 1995.

144. (canceled)

145². Without derogating from the provisions of any law, a reporting company shall report to the Registrar under this law, regarding the following matters only:

- (1) Change of name as provided in section 31;
- (2) Change of address of the registered office as provided in section 123;
- (3) Merger as provided in section 317;

Change in the company type, as provided in section 343;

CHAPTER FOUR: THE INTERNAL AUDITOR OF A PUBLIC COMPANY AND A PRIVATE DEBENTURES COMPANY

¹ Commencement of the section as of November 2nd, 2003, as stated in *Yalkut Pirsumim* 5764 no 5232, from October 27,2003, p 147

² Commencement of the section as of November 2nd, 2003, as stated in *Yalkut Pirsumim* 5764 no 5232, from October 27,2003, p 147

146. (a) The board of directors of a public company or a private company which is a debentures company shall appoint an internal auditor; the internal auditor shall be appointed upon the proposal of the audit committee.

(b) A person who has an interest in the company, who is an office holder in the company or who is a relative of any of these, as well as the auditor or any person acting on his behalf, shall not act as internal auditor of the company.

147. The provisions of sections 3 (a), 4 (b), 8 to 10, and 14 (b) and (c) of the Internal Audit Law, 1992, shall apply to the internal auditor, subject to the other provisions of this chapter, and *mutatis mutandis*.

148. The internal auditor shall report to the chairman of the board of directors or the general manager, as provided by the articles of association, or in the absence of such provision the articles of association, as determined by the board.

149. The internal auditor shall submit proposed annual or periodic work plan for the approval of the board or the audit committee, as provided by the articles of association, or in the absence of such provision the articles of association, as determined by the board, and the board of directors or the audit committee, as appropriate, shall approve it with changes as they see fit.

150. The chairman of the board or the chairman of the audit committee may impose on the internal auditor to conduct internal audits, in addition to the work plan, regarding matters in which urgent need for review arise.

151. The internal auditor shall examine, among other things, the propriety of the company's acts in terms of maintaining the law and proper business administration.

152. The internal auditor shall submit a report of his findings to the chairman of the board, the general manager and the chairman of the audit committee; report on matters that he had examined under section 150 shall be given to those imposed the audit on the internal auditor.

153. (a) The internal auditor's tenure shall not be terminated without his consent and he shall not be suspended from office, unless the board of directors decided so after accepting the position of the audit committee, and after the internal auditor has been given a reasonable opportunity to voice his opinion to the board of directors and to the audit committee.

(b) For the purposes of subsection (a), the quorum require to open a meeting of the board shall be not less, notwithstanding the provisions at the end of section 104, them the majority of the members of the board.

CHAPTER FIVE: THE AUDITOR

Article A: Appointment Of An Auditor

154. (a) A company shall appoint an auditor to audit its annual financial statements and express his opinion on them (hereinafter - the act of audit); the Minister may determine that certain additional acts that the auditor performs under the law shall be also considered an audit acts for the purposes of this chapter.

(b) The auditor shall be appointed at each annual meeting and he shall serve in office until the end of the annual meeting thereafter; however, the general meeting is entitled to, if so provided in the articles of association , appoint an auditor to serve in his position for a longer period, which will not last beyond the end of the third annual meeting after the one in which he was appointed .

(c) A private company in which the provisions of section 61 applies, may appoint an auditor to serve until the termination of one audit act or, if so provided in the articles of association, until the end of three audit acts.

155. (a) The board may, at any time before the first annual general meeting, appoint the first auditor of the company and determine his salary; the first auditor appointed shall serve until the end of the first annual general meeting.

(b) In a private company in which the provisions of section 61 applies, the provisions of section 154 (c) shall apply in respect of the termination of service of an auditor appointed by the board,.

156. A company may appoint a number of auditors who will jointly perform the audit.

157. Where the position of the auditor become vacant and the company has no additional auditor, the board shall convene a special meeting, for the earliest possible date, with the agenda of appointing an auditor.

158. (a) notwithstanding the provision of section b 154, a private company whose annual turnover does not exceed NIS 572,688 or a private company which is a public benefit company whose annual turnover does not exceed the amount stated in section 19 (c) of the NGO Law (in this Law - inactive company) may prescribe in its general meeting that it shall not be appointed auditor, unless shareholders that hold 10 percent or more of the issued capital of the company object; the said amount in this subsection shall be index linked; once a year in early February the Minister shall publish in the records the aforesaid amount, as it is updated for that year; in this subsection -

"turnover" - the total amount of income from any source and type, that was received at the last year passed;

"a year" - a period of 12 months from January to the end of December.

(a1) Where the general meeting passed a resolution as provided in subsection (a), the company shall do the following:

(1) Submit the resolution to the Registrar within fourteen days of the resolution;

(2) Attach to its annual report, a statement signed by an office holder, in which it is noted that the company has not been appointed an accountant and has not performed audited financial statements, as the conditions listed in subsection (a) apply.

(b) (canceled).

(c) The provisions of this section shall not apply to debentures company.

159. (a) Where an auditor cease to serve in company and no other auditor was appointed in his place as prescribed in section 157, the company shall notify the Registrar within ninety days from the date in which the auditor cease to serve as aforesaid; however, notifying the Registrar shall not derogate from the obligation of the company to appoint an auditor, as long as it has not been appointed auditor under subsection (b); where the company appointed auditor, after notifying the Registrar, it shall notify the Registrar within fourteen days.

(b) Where the register has been notified of the termination of the service of an auditor, as provided in subsection (a), and he has not been notified of the appointment of a new auditor, the Registrar may appoint an auditor to serve in this position until the end of the next annual general meeting, and the Registrar shall determine the salary to be paid to the auditor by the company.

(c) the Minister may prescribe provisions and conditions for the appointment of an auditor appointed by the Registrar, the beginning of his tenure and his salary.

Article B: Independence

160. (a) the auditor shall be independent of the company, whether directly or indirectly.

(b) the Minister may prescribe provisions regarding the independence of the auditor, including provisions regarding the independence of accountants who are partners in a partnership that serves as an auditor, or regarding the non-independence of auditors who are shareholders in the accounting company that serves as an auditor.

161. Where an audit act was performed at a time when there were relations of dependence under the provisions of section 160, an additional audit shall be performed by another auditor, unless, at the time that the board of directors had learned about it, five years had passed from the date on which said audit operation was carried out.

Article C: Termination Of Service Of The Auditor

162. (a) The general meeting may terminate the service of the auditor.

(b) Where a public company or a private debentures company has on the agenda the termination of service of an auditor or non-renewal of the service, the position of the audit committee shall be brought before the general meeting, after giving the auditor an opportunity to bring his case before it.

163. (a) Where the board found that there are dependencies under section 160, it shall, without delay, notify the auditor that he must act immediately to stop this dependency; where the dependency didn't stopped, the board shall convene a special meeting within a reasonable time, with the agenda of the termination of service of the auditor.

(b) A general meeting convened under subsection (a), shall decide to terminate the auditor's service; however, the general meeting is permitted, after the position of the auditor was brought before it, to resolve not to accept the proposal of the board of directors to terminate the service, if it finds that the auditor is not dependent upon the company.

164. (a) The board of directors shall give the auditor the opportunity to bring his case before the general meeting on which the termination or non-renewal of his service is on the agenda, including inviting the auditor to attend the meeting.

(b) Where the auditor resigned in circumstances that are of interest for the shareholders, he shall notify that to the board of directors.

(c) Without prejudice to the provisions of any law, the board of directors shall notify the shareholders of the reasons for the auditor resignation as detailed as it sees fit, and it may also notify them regarding its position in this matter.

Article Four: The Salary Of The Auditor

165. (a) The fees of the auditor for the audit activities shall be determined by the general meeting, or by the board of directors if the general meeting authorized it to do so, and in accordance with the terms of such authorization, or where there is a provision for this matter in the articles of association, in accordance with such provision.

(b) Where the fees for the audit act was determined by the board of directors, the board shall report to the annual meeting on the auditor 's salary.

166. (a) A company shall not stipulate the payment of the fees due to the auditor with conditions that limit the manner of performing the audit or linking the outcome of the audit and the fees.

(b) The company or anyone in its behalf shall not indemnify, whether directly or indirectly, the auditor, due to charge that was imposed on him for a violation of professional responsibility in providing services that must be provided by an accountant by the law, or due to failure to comply with any other obligation imposed on him by the law.

167. (a) The fees of the auditor for additional services to the company, that are not the audit act, shall be determined by the board of directors, but the articles of association may provide that the payment for such services shall be determined by the general meeting.

(b) The board shall report to the annual meeting the terms of the engagement of the auditor for other services including payments and liabilities of the company to the accountant; for the purposes of this section, "accountant" - including a partner, employee or relative of the accountant and including a corporation controlled by him.

Article Five: The Powers, Duties And Responsibilities Of An Auditor

168. (a) The auditor may at any time review the company's documents that are necessary for him to fulfill his duty, and to receive explanations regarding them.

(b) The auditor may attend any general meeting where the financial statements on which he performed an audit are submitted, and at a meeting of the board of directors that discuss the approval of financial reports, or at a meeting of the board of directors that convenes under section 169; the board shall notify the auditor of the place and time where the general meeting or board meeting will convene.

169. (a) Where the auditor found during audit act substantial deficiencies in the accounting controls of the company, he will report thereon to the chairman of the board.

(b) Where the auditor informed the deficiencies referred to in subsection (a), the chairman of the board of directors shall convene without delay a board meeting to discuss the issues brought to his attention.

170. (a) The auditor is liable to the company and its shareholders for the contents of his opinion regarding the financial statements.

(b) The provisions of subsection (a) shall not prevent the existence of the liability of the auditor under any law.

Chapter Six: Financial Statements

171. (a) A reporting company shall keep accounts, and shall also prepare financial statements under the Securities Act.

(b) A non-reporting company shall keep accounts, and also shall prepare financial statements under this act.

(c) The financial statements shall be approved by the board of directors, signed by it, and shall be brought to the annual meeting.

(d) (cancelled).

(e) The Minister may prescribe provisions and terms regarding the process of approving the financial statements, including regarding the obligation to appoint a board committee to review the financial statements, the qualifications of members of the aforesaid committee, and their connection to the company or to a controlling shareholder; regarding a company as provided in subsection (a), the provisions and terms shall be determined after consultation with the Securities Authority.

172 (a) A non-reporting company shall compile financial reports for each year, including balance sheet as of December 31 (hereinafter – the effective date) and a profit and loss account for the year ending on that day, as well as other financial reports, all in accordance with the requirements of generally accepted accounting principles (in this chapter – the reports); an auditor shall audit the reports.

(b) A non-reporting company may prescribe in its articles of association that notwithstanding the provisions of subsection (a), the financial reports shall be for a year that will not end on the effective date, but rather on another date prescribed in the articles of association (hereinafter - the special date).

(c) The reports of a non-reporting company shall be compiled within six months from the effective date or the special date, as applicable, or within such other period prescribed by the articles of association, provided that the determined period shall not exceed six months.

(d) The reports shall be prepared in accordance with generally accepted accounting principles and shall properly reflect what they are supposed to reflect in accordance with these rules.

(e) The Minister may prescribe provisions regarding the identity and number of signatories on the reports; so long as no such provisions were set, the reports shall be signed by at least one director.

(f) The Minister may prescribe the information that has to be included in reports; should the Minister prescribe such information, it will apply notwithstanding the rules set in accepted accounting principles.

(g) Inactive company under section 158, may make a resolution received at the general meeting and that was not opposed by shareholders as specified in section 158 (a), that it is not obligated to prepare reports under this chapter; however such resolution shall not derogate from the obligation that applies by virtue of any law to prepare or submit reports, including audited reports.

173. A) Board of directors of a non-reporting company shall present to the annual meeting the reports that were approved by it, and in a company where the provision of section 61 applied, it shall send the reports to shareholders.

B) The board of directors of a non-reporting company shall present to the annual meeting a report that will include its explanations regarding events and changes in the company's business that have influenced the reports, with details as it sees fit.

C) The reports shall be kept at the registered office of the company at least seven years from the date of their preparation, for the inspection of the company's directors and shareholders.

D) A shareholder in a non-reporting company is entitled to receive copies of the reports and the opinion of the auditor.

E) Copies of the reports in a non-reporting private company shall be sent to all persons entitled to receive notice of general meetings, not later than fourteen days before the date on which the annual meeting is to be held, all unless otherwise provided in the articles of association.

174. The board of directors shall declare in the annual report, as provided in section 141, that it had fulfilled the provisions of section 173 (a).

175. a) A non-reporting company shall attach to its annual report the balance sheet that is included in the reports, if at least one of the following conditions applies:

(1) its articles of association do not restrict the right to transfer its shares;

(2) its articles of association do not prohibit a public offer of shares or debentures;

(3) its articles of association do not limit the number of shareholders to fifty, except of employees of the company or those who were employees and whilst being employees and even after discontinued their work, they continue to be shareholders in the company; for the purposes of this paragraph, two persons or more who jointly hold a share or shares in the company, shall be considered as one shareholder.

b) The Minister may determine that the provisions of subsection (a) shall not apply in general or in certain types of non-reporting companies.

Extracts from the Penal Law, 5737-1977

PART TWO: OFFENSES

CHAPTER SEVEN: NATIONAL SECURITY, FOREIGN RELATIONS AND OFFICIAL SECRETS

Article One: General Provisions

Definitions and interpretation

91. In this Chapter –

"enemy" – anyone who is a belligerent, maintains a state of war against Israel or declares himself one of those, whether or not war was declared and whether or not armed hostilities are in progress, and also a terrorist organization;

"terrorist organization" – an organization, the objectives or activities of which aim at the destruction of the State, at damaging its security or the security of its inhabitants or of Jews in other countries;

"information" includes incorrect information and any description, plan, password, symbol, formula, object or any part thereof, which contains information or may be a source of information;

"delivery" includes delivery by means of marks or signals and causing delivery; reference to the commission of an act with a specific intention means an act or omission with that intention and without lawful authority.

Conspiracy and attempt

92. A conspiracy or an attempt to commit an offense under this Chapter shall be treated like a commission of that offense.

Contact with a foreign agent

114. (a) If a person knowingly maintained contact with a foreign agent and had no reasonable explanation therefor, then he is liable to fifteen years imprisonment.

(b) If a person attempted to establish contact with a foreign agent, visited a foreign agent's place of residence or work, was in the company of a foreign agent or had in his possession the name or address of a foreign agent and had no reasonable explanation therefor, then he shall be treated like a person who maintained contact with a foreign agent.

(c) In this section, "foreign agent" includes a person who on reasonable grounds may be suspected to have acted or to have been sent to act on behalf of or for a foreign state or a terrorist organization for the collection of secret information or for any other activity liable to injure the security of the State of Israel, as well as a person who may on reasonable grounds be suspected of being a member of a terrorist organization, of being connected to it or of being active on its behalf.

(d) No person shall be convicted under this section, if it was proved to the Court that he did not and did not intend to do anything liable to injure national security.

Offenses with weapons

144. (a) If a person acquires a weapon or has it in his possession without lawful authority for its possession, then he is liable to seven years imprisonment; however, if the weapon is a part, accessory or ammunition as said in subsection (c)(1) or (2), then he is liable to three years imprisonment.

(b) If a person carries or has a weapon without lawful permission for carrying or transporting it, then he is liable to ten years imprisonment; however, if the weapon is a part, accessory or ammunition as said in subsection (c)(1) or (2), then he is liable to three years imprisonment.

(b1) Subsections (a) and (b) shall not apply to a person who committed the offense only by not paying the fee for renewal of his permit, or whose permit was not renewed even though there was no reason for not renewing it, all in accordance with the Firearms Law 5709-1949 or with the regulations under it.

(b2) If a person produces, imports, exports, trades or performs any other transaction with weapons, which includes giving a weapon into the possession of another – whether or not for consideration – without having lawful permission to perform a said act, then he shall be liable to fifteen years imprisonment.

(b3) If a person is lawfully authorized to sell or to deliver a weapon, and if he sells or delivers it to a person who is not lawfully entitled to have it, then he is liable to fifteen years imprisonment; if, because of a negligent inquiry, the seller or purveyor believed that he sells or delivers the weapon to a person lawfully authorized to have it, then he is liable to three years imprisonment.

(c) In this section, "weapon" –

(1) an instrument made capable of shooting a bullet, projectile, shell, bomb or its like, which can kill a person, and it includes a part, accessory or ammunition of such an instrument;

(2) an instrument made capable of emitting a substance intended to injure a person, including a part, accessory or ammunition of such an instrument, and also including a container that contains or was made capable of containing an aforesaid substance, other than teargas as defined in the Firearms Law 5709-1949;

(3) ammunition, bombs, grenades or other explosive object, which is capable of killing or injuring a person, including a part of any of these.

(c1) For purposes of this section –

(1) it is immaterial whether the weapon was or was not serviceable when the offense was committed;

(2) if a person claims to have lawful permission, then he bears the burden of proof.

(d) If a weapon is found in any place, then the occupant of that place shall be deemed to be holding the weapon, as long as the opposite has not been proven.

(e) A certificate signed by a police officer of the rank of inspector or higher, attesting that a certain object is a weapon, shall be evidence thereof, as long as the opposite has not been proven.; however, the

defendant may summon the signatory of the certificate for interrogation and – when he has done so – the certificate shall be evidence only if the signatory complied with the summons; the Court must inform the defendant of his right to summon the certificate's signatory for interrogation.

(f) This section shall not derogate from the provisions of any enactment.

Article Six: Piracy

Piracy

169. If a person commits an act of piracy or an act connected with or similar to piracy, then he is liable to twenty years imprisonment.

Article Ten: Prostitution and Obscenity

Procurement

199. (a) The following are liable to five years imprisonment:

- (1) a person who wholly or in part, permanently or for any period of time lives on the earnings of a person engaged in prostitution;
- (2) a person who knowingly receives something that was given for a person's act of prostitution, or a part of what was so given.

(b) If a person committed an offense under this section in connection with his spouse, child or stepchild, or if he committed the offense by exploiting a relationship of authority, dependence, education or supervision, then he shall be liable to seven years imprisonment.

(c) For purposes of this section, it is immaterial –

- (1) whether what the offender received was money, valuable consideration, a service or some other benefit;
- (2) whether he received it from a person who engages in prostitution or from some other person;
- (3) whether he receives what was given for an act of prostitution or a substitute for what was so given.

Presumption of procurement

200. If a man lives with a prostitute or regularly accompanies her, or if he exerts control or influence over a her in a manner that aids in or compels her prostitution, then he shall be presumed to live on her earnings, unless the opposite is proved.

Inducement to act of prostitution

201. If a person induces another to perform an act of prostitution with another person, then he shall be liable to five years imprisonment.

Inducement to engage in prostitution

202. If a person induces a person to engage in prostitution, then he is liable to seven years imprisonment.

Aggravating circumstances

203. (a) If an offense under sections 201 or 203 was committed by exploiting a relationship of authority, dependence, education or supervision, or by exploiting the economic or mental distress of the person who was induced to perform an act of prostitution or to engage in prostitution, then the person guilty of the act shall be liable to ten years imprisonment.

(b) If an offense under sections 201 or 203 was committed under one of the following circumstances, then the person guilty of the offense shall be liable to sixteen years imprisonment:

(1) by use of force or by use of other means of pressure, or by threat of one of these, and it is immaterial whether it was done against the person who was induced to commit an act of prostitution or to engage in prostitution or against some other person;

(2) by exploiting a situation that prevents opposition by the person induced to commit an act of prostitution or to engage in prostitution, or by the exploiting the fact that he is mentally ill or mentally incompetent;

(3) by agreement obtained by deception of the person induced to commit an act of prostitution or to engage in prostitution.

203A. Repealed

Exploitation of minors for prostitution

203B. (a) If an offense was committed under sections 199, 201, 202 or 203 against a minor who has reached age 14, then the person who committed the offense –

(1) if for that offense a penalty of five years was set – shall be liable to seven years imprisonment;

(2) if for the offense a penalty of seven years was set – shall be liable to ten years imprisonment;

(3) if for the offense a penalty of ten years was set – shall be liable to fifteen years imprisonment;

(4) if for the offense a penalty of sixteen years was set – shall be liable to twenty years imprisonment;

(b) If an offense was committed under sections 199, 201, 202 or 203 against a minor who has not yet reached age 14, or if he reached age 14 and the person who committed the offense is responsible for the minor, then the person who committed the offense shall be liable to double the penalty set, but not more than twenty years.

(c) In this section, "responsible for the minor" – as defined in section 368A.

Liability of a minor's customer

203C. If a person accepts sexual services from a minor, then he is liable to three years imprisonment.

Burden of proof

203D. If a person argues that he did not know the age of the person with whom or in respect of whom an offense under this Article was committed, then he shall bear the burden of proof; this provision shall not apply to an offense under section 214(b3).

Maintaining a place for purposes of prostitution

204. If a person maintains or operates a place – including a vehicle or a vessel – for the practice of prostitution, then he is liable to five years imprisonment.

Renting a place for prostitution

205. If a person rents out or renews the rental of a place – including a vehicle or a vessel – knowing that it is or will be used by a person for acts of prostitution, then he is liable to six months imprisonment the same applies if – after he learned that the place is used as aforesaid – does not terminate the rental even though he has the right to terminate it and to sue for eviction for that reason.

Obscene publication and display

214.(a) If a person did one of the following, then he is liable to three years imprisonment:

(1) he published an obscene publication or prepared it for publication;

(2) he presented, organized or produced an obscene display –

(a) in a public place;

(b) in a place which is not public – unless it is used for residential purposes or is used by a body of persons, membership in which is restricted to persons aged eighteen and up and is for a continuous period.

(b) If a person published an obscene publication and it includes the likeness of a minor, including a representation or a drawing of a minor, then he shall be liable to five years imprisonment.

(b1) If a person utilized the body of a minor in order to advertise an obscenity, or used a minor in the presentation of an obscenity, then he shall be liable to seven years imprisonment.

(b2) If an offense under subsections (b) or (b1) was committed by a person responsible for a minor, as defined in section 368A, or with the consent of an aforesaid responsible person, then the responsible person shall be liable to ten years imprisonment.

(b3) If a person has in his possession an obscene publication that includes the likeness of a minor, then he shall be liable to one year imprisonment; for purposes of this section, "has in his possession" – exclusive of whoever has in his possession incidentally and in good faith.

(c) If the Court deals with an offense under this section, committed by a person in the course of his business, then it may also use its powers under sections 16 and 17 of the Licensing of Business Law 5728-1968, but it shall not use its authority under section 17, unless it is satisfied that there is prima facie evidence of the offense, and that the use of its authority is necessary for the public good.

(d) An indictment shall only be filed –

(1) under subsection (a) – within two years after the day on which the offense was committed, and only by the District Attorney or with his written consent.

(2) under subsections (b) and (b3) – by the District Attorney or with his written consent.

(e) An indictment under this section shall only be filed within two years after the day on which the offense was committed, and only by the District Attorney or with his written consent.

Article Twelve: Prohibited Games, Lotteries and Betting

Definitions

224. In this Article –

"prohibited game" – a game at which a person may win money, valuable consideration or a benefit according to the outcome of a game, that outcome depending more on chance than on understanding or ability;

"place of prohibited games" – premises on which prohibited games are regularly conducted, whether open to the public or open only to certain persons, and it is immaterial whether they are also occupied for some other purpose;

"lottery" – any arrangement under which it is possible – by drawing lots or by some other means – to win money, valuable consideration or a benefit, the win depending more on chance than on understanding or ability;

"betting" – any arrangement under which it is possible to win money, valuable consideration or a benefit, the win depending on some guess, including lotteries connected to the outcomes of games and sports competitions.

Prohibition of lotteries and betting

225. If a person organized or conducted a prohibited game or a lottery or betting, then he is liable to three years imprisonment or to double the fine said in section 61(a)(2).

Prohibition of games

226. If a person played a prohibited game, then he is liable to one year imprisonment or to the fine said in section 61(a)(2).

Participation in the conduct of lotteries or betting

227. If a person offered, sold or distributed tickets or anything else that attests to a right to participate in any lottery or betting, or if he printed or published an announcement about a lottery or betting, then he is liable to one year imprisonment or to double the fine said in section 61(a)(3).

Prohibition of keeping or managing a place

228. If a person kept or managed a place for prohibited games or a place for the conduct of lotteries or betting, or a place in respect of which an order under section 229 was not complied with, then he is liable to three years imprisonment or to double the fine said in section 61(a)(4); if a person let premises or permitted their use, knowing that they are to be used as a place for prohibited games or for the conduct of lotteries or betting, then he is liable to six months imprisonment or double the fine said in section 61(a)(3).

Closure of places

229. (a) A district police commander of the Israel Police may order the closing of –

- (1) a place of prohibited games or a place for the conduct of lotteries or betting;
- (2) a place used for the conduct of games by means of cards, gambling machines or the like, even if those games do not come within the definition of prohibited games and even if a license was issued to that place under the Licensing of Business Law 5728-1968, if he concludes that its continued existence may adversely affect public welfare or the wellbeing of the area's inhabitants, or that it may lead to criminal behavior, including the conduct of a prohibited game.

(b) Repealed.

(c) Repealed

Special circumstances

230. The provisions of sections 225 to 228 shall not apply to a game, lottery or betting that meets the following three conditions:

- (1) its conduct is intended for a certain circle of persons;
- (2) it does not exceed the scope of amusement or entertainment;
- (3) it is not held in a place of prohibited games or a place for the conduct of lotteries or betting.

Permit

231. (a) The provisions of this Article, other than the provisions of section 231a, shall not apply –

- (1) to categories of lotteries, or to a particular lottery, for the conduct of which a permit was granted in advance by the Minister of Finance or by a person empowered by the Minister for that purpose;
- (2) to betting, or to a particular betting event conducted by the Payis Organization, for which a permit was granted in advance by the Minister of Finance or by a person empowered by the Minister for that purpose, but betting events so conducted shall not relate to the results of sports games and contests.

(a1) The provisions of section 231A shall not apply to categories of lotteries, to a specific lottery, to betting or to a specific bet that the Minister of Finance – or a person so authorized by the Minister of Finance – permitted to be held for minors; however, a permit said in this subsection shall not be granted for lotteries or for betting, in which participation is conditional on a payment of money.

(b) Notice of a permit granted under this section shall be published in Reshumot.

Lottery and betting tickets must not be sold to minors

231A. (a) If a person offers, sells or distributes to a minor tickets or anything else that carries the right to participate in a lottery or in betting for which a permit was given under section 231(a), the he shall be liable to six months imprisonment.

(b) A person who offers, sells or distributes tickets may require of a person who wants to buy or to receive tickets, that he present a document from which his age may be ascertained.

Evidence

232. At a trial for an offense of a game prohibited under this Article –

- (1) the Court may convict the defendant on the testimony of an accomplice to the offense, even if there is no supporting evidence;

(2) the judgment in a criminal case, which determined that a prohibited game was conducted in a certain place, is admissible as evidence thereof at any other trial under this Article, no matter who the defendant was.

Presumptions

233. For the purposes of this Article, and without derogating from any other method of proof –

(1) if a person was in a place of prohibited games, and if a police officer had reason to assume that prohibited games were played there at that time, then he is deemed to have played a prohibited game there, as long as he did not prove that he was in that place only for some other purpose;

(2) a game of cards or of dice, or a game played with a gambling machine is deemed a game by which a person may win money, valuable consideration or a benefit, as long as the opposite has not been proven;

(3) premises are deemed a place where prohibited games are regularly conducted –

(a) if a prohibited game was conducted there at least twice within the six months before the offense was committed by the defendant, as long as the opposite has not been proved; in respect of a person accused of occupying them it is immaterial whether he occupied them during all or part of that period;

(b) if they were used as a club for card games and a prohibited game was conducted there at least once during the six months before the defendant committed the offense.

Confiscation of game implements

234. If a person was convicted of an offense under this Article, then the Court may order that implements or instruments or other things used to conduct the game, lottery or betting shall be confiscated to the Treasury, and it does not matter whether or not the defendant is their owner.

Confiscation of instruments of offense

235. (a) If a police officer has reasonable grounds to assume that implements, instruments, tickets or anything was used to organize or to conduct a prohibited game, lottery or betting, then he may seize them, and he may seize monies or anything else which he has reasonable grounds to assume was received in consequence of organizing or conducting that prohibited game, lottery or betting.

(b) The Minister of Justice may make regulations for the purposes of subsection (a).

(c) If the Court is satisfied that things – other than money – seized as said in subsection (a) were used for organizing or conducting a prohibited game, lottery or betting, or were received in consequence of organizing or conducting them, then it may – on application by a police officer or of a prosecutor within the meaning of the Criminal Procedure Law 5725-1965 – order them confiscated to the Treasury, even if nobody was convicted of an offense for a prohibited game, lottery or betting.

Bribery

291. If a person gave a bribe, he shall be treated like the person who took it, but the penalty to which he is liable shall be half the penalty specified in section 290.

Bribery of a foreign public servant

291A. (a) If a person gave a bribe to a foreign public servant for an act connected to his responsibility in order to obtain, secure or promote a business activity or some other advantage connected to a business activity, then he shall be liable like a person who gives a bribe under section 291.

(b) An indictment for an offense under this section shall be brought only with the written consent of the Attorney General.

(c) In this section –

"foreign state" – including any governmental unit in a foreign state, including national, district and local units;

"foreign public servant" – each of the following:

(1) an employee of the foreign state and any person who holds a public position or performs a public function on behalf of the foreign state, including any person who holds a position or performs a function in the legislative branch, the executive branch or the judicial branch of the foreign state, whether elected, appointed or by agreement.

(2) any person who holds a public position or performs a public function on behalf of a public body that was set up by legislation of the foreign state, or on behalf of a body that is directly or indirectly controlled by the foreign state;

(3) an employee of a public international organization and any person who holds a public position or performs a public function on behalf of a said organization; for this purpose, "public international organization" – an organization founded by two or more states or by organizations that were founded by two or more states.

Bribery in connection with contest

292. (a) If a person gave a bribe with the intention to influence the conduct, progress or outcome of a sports contest or of some other contest, in the conduct or outcome of which the public has an interest, then he is liable to three years imprisonment.

(b) The person who took the bribe shall be treated like the person who gave the bribe.

Methods of bribery

293. In connection with a bribe it is immaterial –

(1) whether it was in cash or in kind, a service or any other benefit;

(2) whether it was given for an act or an omission, or for a delay, acceleration or impediment, for preference or for discrimination;

(3) whether it was for a specific act or to obtain preferential treatment in general;

(4) whether it was for an act of the person who took it or for his influence on the act of another person;

(5) whether it was given by the person himself or through another person; whether it was given directly to the person who took it or to another for him; whether in advance or after the event; and whether it is enjoyed by the person who took it or by another;

(6) whether the function of the person who took was one of authority or service, permanent or temporary, general or specific, and whether its performance was with or without remuneration, voluntarily or in the discharge of an obligation;

(7) whether it was taken for a deviation from the performance of his obligation or for an act which the public servant must perform by virtue of his position.

Further provisions

294. (a) If a person solicited or stipulated a bribe, he shall be treated like person who took a bribe, even if he met with no response.

(b) If a person offered or promised a bribe, he shall be treated like person who gave a bribe, even if he met with refusal.

(c) If a person is a candidate for any position, even though he was not yet assigned to it, and if any function was assigned to a person, but he has not yet begun to perform it, he shall be treated like a person who performs that function.

(d) In an action for bribery, the Courts shall not entertain any argument –

(1) that there was a defect or invalidating circumstance in the assignment of the function to, or the appointment or election of the person who took the bribe;

(2) that the person who took the bribe did not perform or did not even intend to perform the act, or that he was not competent or authorized to perform it.

Bribery intermediaries or prohibited consideration for a person with significant influence

295. (a) If a person received money, valuable consideration, a service or other benefit in order to give a bribe, he shall be treated like a person who took a bribe, and it shall be immaterial whether or not any consideration is given to him or to another for his action as intermediary, or whether or not he intended to give a bribe.

(b) If a person received money, valuable consideration, a service or any other benefit in order to induce – by himself or through another – a public servant said in section 290(b) or a public servant said in section 291A(c) to give undue preference or to practice discrimination, then he shall be treated like a person who took a bribe.

(b1)(1) If a person with significant influence on the election of a candidate for the position of Prime Minister, Minister, Deputy Minister or head of a local authority (in this subsection: candidate) accepted money, a cash equivalent, a service or other benefit in order to influence – himself or through another – a candidate to perform an act connected to his position, then he shall be liable to three years imprisonment; if he received as aforesaid in order to influence a candidate to give undue preference or to discriminate, then he shall be treated as if he had accepted a bribe;

(2) In this subsection –

"primaries", "contribution" – as defined in section 28A of the Elections Law;

"person with significant influence" – a person who has significant influence on the choice of a candidate in a party or faction, also in primaries and also because he is one of the following:

- (1) member of the governing body, of the audit institution or the Court of the party, or if he holds a position the party, which corresponds or is similar to one of these;
- (2) he has the right to vote in an election of the candidate, where the number of persons entitled to vote does not exceed five thousand;
- (3) he acted for the registration of a number – that is significant under the circumstances – of persons entitled to vote in the election of the candidate; if a persons acted for the registration of fifty or more persons entitled to vote in the election of the candidate, then it is assumed that the provisions of this paragraph apply to him, unless he proves differently;
- (4) he contributed, raised contributions or spent money to promote the election of a candidate in a party or in a faction, to an amount equivalent to NS 5,000, or he contributed, raised contributions or spent money as aforesaid for at least two candidate in the same election campaign, to an amount equivalent to NS 15,000;

"Elections Law" – the Elections Law 5752-1992;

"party" – as defined in the Elections Law;

"faction" – as defined in the Parties (Financing) Law 5733-1973.

(c) If a person gave money, valuable consideration, a service or some other benefit to a person said in subsections (a) or (b), then he shall be treated like a person who gave, and if a person accepted as said in subsection (b1), then he shall be liable to half the penalty prescribed in that subsection.

(d) For purposes of this section, "receiving" includes receiving for or through another person.

Evidence

296. In a trial for an offense under this Article the Court may convict on the basis of a single testimony, even if it is the testimony of an accomplice to the offense.

Confiscation and reparation

297. (a) When a person has been convicted of an offense under this Article, the Court may, in addition to the imposed penalty –

- (1) order confiscation of what was given as a bribe or what may has taken its place;
- (2) obligate the person who gave the bribe to pay to the Treasury the value of the benefit he derived from the bribe.

(b) The provisions of this section shall not preclude a civil claim.

Murder

300. (a) If a person did one of the following, then he shall be accused of murder and is liable to life imprisonment, and only to that penalty:

(1) he maliciously caused the death of his father, mother, grandfather or grandmother by a prohibited act or omission;

(2) he caused the death of any person with premeditation;

(3) while committing an offense, while preparing to commit it or in order to facilitate its commission, he maliciously caused the death of a person;

(4) he caused the death of a person when another offense had been committed, in order to assure the flight of himself or of a person who participated in the commission of that offense, or in order to escape punishment.

(b) If a person was convicted of murder under section 2(f) of the Nazis and Nazi Collaborators (Punishment) Law 5710-1950, then he is liable to the death penalty.

Attempted murder

305. If a person did one of the following, then he is liable to twenty years imprisonment:

(1) he unlawfully attempted to cause the death of a person;

(2) he unlawfully committed an act or unlawfully abstains from an act which he is obligated to perform with the intention to cause the death of another, that act or omission by its nature being liable to endanger human life.

Article Seven: Offenses against Liberty

Abduction

369. If a person compels another by force or threats, or if he entices him by deceitful means to leave the place where he is, then that constitutes abduction and he is liable to ten years imprisonment.

Taking beyond the borders of the State

370. If a person conveys another beyond the borders of the State in which that person stays, without his own consent or without the consent of a person legally authorized to consent on his behalf, then he is liable to ten years imprisonment.

Abduction with intent to confine

371. If a person abducts another with intention that he be confined unlawfully, then he is liable to twenty years imprisonment.

Abduction for purposes of murder or blackmail

372. If a person abducts another in order to murder him or to put him in danger of being murdered or in order to commit blackmail or to threaten, then he is liable to ten years imprisonment.

Abduction from custody

373. (a) If a person takes or entices a minor who has not reached age 16 or a person of unsound mind from the custody of his lawful guardian without the guardian's consent, then he is liable to seven years imprisonment.

(b) If a person does as said in subsection (a) in order to commit murder or to place a person in danger of being murdered, then he is liable to life imprisonment and to that penalty only.

Abduction in order to cause grievous harm

374. If a person abducts a person in order to expose him to grievous harm, and if a person abducts a person knowing that the abducted person will be in an aforesaid situation, then he is liable to twenty years imprisonment.

Abduction for purposes of commerce in human beings

374A. If a person abducts a person for one of the purposes enumerated in section 377A(a) or in order thereby to expose him to one of the dangers enumerated in that section, then he shall be liable to twenty years imprisonment.

Concealment of abducted person

375. If a person wrongfully conceals or confines a person, knowing that he was abducted, then he shall be liable as if he had abducted that person with the same intent, knowledge or purpose which he had when he concealed or confined him.

Keeping under conditions of slavery

375A. (a) If a person keeps a person under conditions of slavery for work or services, including sexual services, then he shall be liable to sixteen years imprisonment.

(b) If an offense under subsection (a) was committed in respect of a minor, then the person who committed the offense shall be liable to twenty years imprisonment.

(c) In this article, "slavery" – a condition under which authority is exercised against a person, such as is generally exercised toward a person's property; for this purpose, actual control of a person's life or denial of his freedom shall be deemed the exercise of said authority.

Forced labor

376. If a person unlawfully compels another to work against his will, using force or other means of pressure or by threatening any of those, or by consent that was fraudulently obtained, all whether for consideration or without consideration, then he shall be liable to seven years imprisonment.

Retaining passport

376A. If a person unlawfully retains a passport, laissez passer or identity document of another person, then he shall be liable to three years imprisonment; if he does so for one of the purposes enumerated in section 377A(a) or if he thereby exposes him to one of the dangers enumerated in that section, then he shall be liable to five years imprisonment.

Causing a person to leave a State for prostitution or slavery

376B. (a) If a person causes a person to leave the State in which he lives in order to employ him in prostitution or to hold him under conditions of slavery, then he shall be liable to ten years imprisonment.

(b) If an offense under subsection (a) was committed on a minor, then the person who committed the offense shall be liable to fifteen years imprisonment.

False imprisonment

377. If a person unlawfully arrests or confines another, then he is liable to three years imprisonment, if he arrested him while pretending to hold official status or that he had a warrant, then he is liable to five years imprisonment.

Commerce in human beings

377A.(a) If a person conducts commerce in human beings for one of the following purposes or if he conducts commerce in a human being and thereby exposes him to the danger of one of them, then he shall be liable to sixteen years imprisonment:

- (1) removal of any organ of his body;
- (2) bearing a child and removing it;
- (3) subjecting him to slavery;
- (4) causing him to perform forced labor;
- (5) causing him to engage in prostitution;
- (6) causing him to participate in an obscene publication or in an obscene performance;
- (7) subjecting him to a sex offense.

(b) If an offense under subsection (a) was committed on a minor, then the person who committed the offense shall be liable to twenty years imprisonment.

(c) If a person brokers commerce in human beings, as said in subsection (a), whether or not for consideration, then he shall be liable to the same penalty as the person who trades in that human being.

(d) In this section, "commerce in human beings" – selling or buying a person or performing some other transaction with a person, whether or not for consideration.

Minimum penalty for the offense of keeping under conditions of slavery and for the offense of commerce in human beings

377B. (a) If a person was convicted of an offense under sections 375A or 377A, then his penalty shall not be less than one fourth of the maximum penalty prescribed for that offense, unless the Court decided – for special reasons that shall be recorded – to reduce his penalty.

(b) A penalty of imprisonment under subsection (a) shall not – in the absence of special reasons – be suspended in its entirety.

Reasons must be stated when compensation is not awarded

377C. If a person was convicted of an offense under sections 375A or 377A, and if the Court did not adjudge compensation for the injured person under section 77, then – in the sentence – the Court shall specify its reasons for not adjudging the said compensation.

Confiscation

377D. (a) In this section and in section 377E –

"Struggle against Crime Organizations Law" the Struggle against Crime Organizations Law 5763-2003;

"victim of offense" – the person directly injured by the offense and also the relative of a person whose death was caused by the offense;

"offense" – the offense of keeping under conditions of slavery under section 375A and the offense of commerce in human beings under section 377A;

"property" and "property connected to the offense" – as defined in the Struggle against Crime Organizations Law.

(b) The provisions of sections 5 to 33 of the Struggle against Crime Organizations Law, except for sections 8, 14(2) and 31 of the said Law, shall apply to the confiscation of property connected to the offense, as the case may be an mutatis mutandis.

(c) Subject to the provisions of subsection (b), property that can be confiscated under the provisions of this Article, and also under the provisions of the Struggle against Crime Organizations Law or the Prohibition of Money Laundering Law 5760-2000, shall be confiscated under the provisions of this Law, unless there are special reasons that justify confiscation of the property otherwise than under the provisions of this Article.

(d) The Minister of Justice shall, in regulations with approval by the Knesset Constitution, Law and Justice Committee, prescribe provisions on Law procedure on petitions for confiscation orders in criminal or civil proceedings, procedures for hearing objections to the confiscation, petitions for relief in order to maintain the property, temporary relief, reconsideration, appeal, and also provisions for implementing the confiscation, managing the assets and giving notice to persons who claim rights to the property.

Penalty for theft

384. A person who commits theft is liable to three years imprisonment, and that if no other penalty is set for the theft because of its circumstances or because of the nature of the stolen object.

Theft by public servant

390. If a public servant steals a thing which is an asset of the State or which came into his possession by virtue of his employment, and if its value exceeds NS1,000, then he is liable to ten years imprisonment.

Theft by employee

391. If an employee steals anything that an asset of his employer or which came into his possession for his employer, and if its value exceeds NS1,000, the he is liable to seven years imprisonment.

Theft by director

392. If a director or officer of a body corporate steals anything that is an asset of the body corporate, he is liable to seven years imprisonment.

Theft by agent

393. If a person does one of the following, then he is liable to seven years imprisonment:

- (1) he steals an asset that he received with a power of attorney to deal with it;
 - (2) he steals an asset deposited with him – alone or with another – that he keep it in safe custody, or that he use it or all or part of the consideration for it for a certain purpose, or that he deliver all or part of it to a certain person;
 - (3) he steals an asset which he received – alone or with another – for or to the credit of another person;
 - (4) he steals from the proceeds of a security, or of the disposition of an asset under a power of attorney, having received instructions to use it for a certain purpose or to pay it to a certain person.
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Article Three: Robbery

Robbery

402. (a) If a person steals a thing and, while he does so or immediately before or immediately thereafter, performs or threatens to perform an act of violence against a person or an asset in order to obtain the stolen thing or to retain it or to prevent or overcome resistance to its being stolen, then that constitutes robbery and the robber is liable to fourteen years imprisonment.

(b) If the robber is armed with a weapon or with a dangerous or offensive object, or is one of a group or if – during, immediately before or immediately after the robbery – he wounds, strikes or otherwise uses personal violence against a person, then he is liable to twenty years imprisonment.

Attempted robbery

403. If a person assaults another in order to commit robbery, then he is liable to seven years imprisonment; if the offense is committed under circumstances said in section 402(b), then he is liable to twenty years imprisonment.

Demanding an asset by threats

404. If a person uses threats or force in demanding a valuable thing from another with the intent to steal it, then he is liable to five years imprisonment; if the offense is committed while the offender carries a firearm or other weapon, then he is liable to ten years imprisonment.

Article Five: Stolen Property

Receiving property obtained by felony

408. If a person, in person or through an agent, maliciously receives – in person or through an agent – money, securities or any other asset, knowing it to have been stolen, procured by blackmail, or obtained or dealt with by a felony, or if he – in person or through an agent, alone or with another – assumes control of or deals with a said asset, then they are liable to seven years imprisonment; however, they may be tried

by the Court competent to try the person who committed the felony and shall be liable to the same penalty as that person.

Vehicle theft

413B. (a) If a person steals a vehicle, then he is liable to seven years imprisonment.

(b) If a person takes a vehicle without its owner's permission, and if he moves it to another place or another person under circumstances that indicate the intention not to return it to its owner, then – even if he performed each of those acts through another – he is liable to the penalty of a vehicle thief.

Breaking into vehicle

413F. If a person breaks a vehicle or breaks into it, then he is liable to three years imprisonment; if he does with the intent to commit a theft or a felony, then he is liable to seven years imprisonment.

Theft or forgery of document

413H. If a person steals or forges a document or uses it deceitfully and –

- (1) the document is connected to the ownership, possession or use of a vehicle; or –
- (2) the act is perpetrated in order to commit or facilitate an offense under this Article,

then he is liable to five years imprisonment.

Changing identity of a vehicle or of a vehicle part

413I. If a person forges or obliterates identifying marks of a vehicle or of a vehicle part, or if he does anything that makes their identification more difficult, then he is liable to seven years imprisonment.

Receiving stolen vehicle or parts

413J. If a person receives – by himself or through another – a vehicle or vehicle part, knowing the vehicle or the part was obtained by an offense under this Article, or if a person assumes – by himself, through another or together with another – control over a said vehicle or part, then he is liable to seven years imprisonment.

Commerce in stolen vehicles or parts

413K. If a person knowingly deals with the sale, purchase, disassembly or assembly of a stolen vehicle or of stolen vehicle parts, then he is liable to ten years imprisonment.

Obtaining anything by deceit

415. If a person obtains a thing by deceit, then he is liable to three years imprisonment; if the offense is committed under aggravating circumstances, then he is liable to five years imprisonment.

Forgery

418. If a person forges a document, then he is liable to one year imprisonment; if a person forges a document with intent to obtain anything by it, then he is liable to three years imprisonment; if the offense is committed under aggravating circumstances, then he is liable to five years imprisonment.

Forgery that affects transactions

419. If a person forges – with intent to deceive – a document that contains information about a person or body corporate, then he is liable to three years imprisonment; for this purpose, it is immaterial whether the person or body corporate exists or was about to be set up, but was not set up.

Use of forged document

420. If a person submits or issues a forged document or uses it in some other manner in the knowledge that it is forged, then he shall be treated like the person who forged it.

Forgery by public servant

421. If a public servant forges a document which he is charged to make or to keep, or to which he has access by virtue of his office, then he is liable to three years imprisonment, with or without a fine; if he does so with the intent to obtain anything, then he is liable to five years imprisonment, with or without a fine; if he obtained anything by means of an aforesaid forged document, then he is liable to seven years imprisonment, with or without a fine.

Inducement by deceit

422. If a person induces another, by means of deceit, to make or sign a document or to obtain another person's signature or a seal on a document, then he shall be treated like a forger and the document shall be treated like a forged document; if a person, by means of deceit, induces another to destroy a document and that is liable to cause him material loss, then he shall be treated like a person who obtained a thing by deceit; these provisions shall not derogate from the provisions of any other enactment on the matter of inducement.

False entry in documents of body corporate

423. If a founder, manager, member or officer of a body corporate enters or causes to be entered a false particular in a document of the body corporate with the intent to deceive, or if he refrains from entering in it any particular which he should have entered with the intent to deceive, then he is liable to five years imprisonment; for purposes of this section and of sections 424 and 425, "body corporate" includes a body corporate about to be established.

Failure to disclose information and misleading publication by a ranking officer of body corporate

424A. (a) If a ranking officer of a body corporate, in which the public has an interest, did one of the following:

(1) did not deliver to his superior correct information on a transaction or event, particulars of which he learned by virtue of his position with the body corporate, in order to mislead him and in the knowledge that that is liable to have a substantial adverse effect on the body corporate's ability to meet its obligations;

(2) did not deliver to his superior vital information in accordance with a lawful demand, or delivered misleading information on the business, assets and obligations of the body corporate in order to mislead him, knowing that the information, or the failure to deliver it, or the said delivery of misleading information, liable to have a substantial adverse effect on the body corporate's ability to meet its obligations or to have a substantially adverse effect on the body corporate's business status;

then he is liable to three years imprisonment or to a fine.

(b) The provisions of subsection (a) do not abrogate the right of a ranking official to refrain, in accordance with any enactment, from delivering information.

(c) If a director or ranking official of a body corporate, in which the public has an interest, issues – with intent to defraud – an announcement that includes incorrect information or a substantially incorrect particular about the body corporate's ability to meet its obligations, or a said announcement which significantly misleads about the body corporate's business condition, then he is liable to three years imprisonment or a fine, unless he proved that the announcement was not made at his initiative and in order to protect the interests of the body corporate or of its customers, and that it was not likely to mislead a reasonable investor.

(d) If a person was convicted for an offense under this section, and if the Court finds that in consequence commission of the offense damage was done to the body corporate, then it may – in addition to any other penalty – obligate the convicted person to compensate the body corporate for the damage caused to it by the offense, on condition that the compensation not exceed four times the amount said in section 77.

(e) The obligation to pay compensation as said in subsection (d) is – for all intents and purposes – like a judgment given in a civil action; an appeal against the conviction, which led to the said obligation, may also include an appeal against that obligation.

(f) In this section –

"ranking officer" – general manager, general business manager, deputy general manager, vice general manager, chief accountant, internal auditor, secretary of the body corporate and any person who holds a said position, no matter what his title;

"superior" – the person to whom the ranking official is directly subordinated, and for a general manager – the company's board of directors or a person named by it as the superior for purposes of this section; if the body corporate does not have a board of directors, then the superior shall be the body or person which holds a position similar to that of a company's board of directors, or the person designated by them;

"publishes" – includes delivery of information to a public body;

"body corporate in which the public has an interest" – one of these:

(1) a body corporate, securities of which were offered to the public by prospectus and are held by the public;

(2) a body corporate, securities of which are traded or listed for trading on an exchange;

(3) a body corporate which – according to its financial reports for December 31 that preceded the day on which the offense was committed – supplied sales and services in excess of NS100 million during the year to which the said reports apply, or which has an equity of more than NS20 million, or which employs more than 200 persons; the Minister of Justice may, with approval by the Knesset Constitution, Law and Justice Committee, change all or some of the amounts stated in this paragraph by order;

(4) a Government company, as defined in the Government Companies Law 5735-1975.

Deceit and breach of trust in body corporate

425. If a director, business manager or other employee of a body corporate, or a receiver, liquidator, temporary liquidator, asset manager or special manager of a body corporate committed in connection with his position deceit or a breach of trust that injured the body corporate, then he is liable to three years imprisonment.

Deceitful concealment

426. If a person conceals or destroys or relinquishes a document or asset with intent to deceive, then he is liable to three years imprisonment.

Blackmail with use of force

427. (a) If a person unlawfully uses force to induce a person to do something or to refrain from doing anything which he is entitled to do, then he is liable to seven years imprisonment; if the use of force resulted in the performance or omission of the act – then he is liable to nine years imprisonment.

(b) For purposes of this section, if a person administers drugs or intoxicating liquors, then he shall be treated like a person who uses force.

Blackmail by threats

428. If a person threatens anybody in writing, verbally or by his conduct with unlawful injury to his or some other person's body, freedom, property, livelihood, reputation or privacy or if a person threatens to make public or to refrain from making public anything that relates to him or to another person, or if he terrorizes a person in any other manner, all in order to induce that person to do something or to refrain from doing anything which he is entitled to do, then he is liable to seven years imprisonment; if the act was performed or omitted because of or during the said threat or terrorization, then he shall be liable to nine years imprisonment.

429. Repealed

Taking assets in order to blackmail

430. If a person unlawfully takes another person's asset in order to induce him to give something or to make or sign a document, then he is liable to one year imprisonment.

Extortion

431. If a person takes advantage of the distress, physical or mental weakness, inexperience or carelessness of another person for one of the following, then he is liable to three years imprisonment:

- (1) he demands or obtains a thing not legally due to him;
- (2) he demands or obtains a consideration for a commodity or service that is unreasonably higher than the customary consideration;
- (3) he gives for a commodity or service a consideration that is unreasonably lower than the customary consideration.

Article Seven: Fraud

Defrauding creditors

439. (a) If a person – with intent to defraud one of his creditors – makes a gift or delivers, transfers or charges any of his assets, or causes any of those things to be done, then he is liable to three years imprisonment.

(b) If a person sells or removes part of his assets after the date on which a judgment or order to pay money, with which he did not comply, was made against him – or within two months before the said date – all with intent to defraud his creditors, then he is liable to three years imprisonment.

Conspiracy to defraud

440. If a person conspires with another to affect the market price of a thing which is publicly sold by deceit or by fraudulent means, or to defraud the public or any person, or to extort an asset from a person, then he is liable to three years imprisonment.

Impersonating another person

441. If a person falsely represents himself as another person, whether living or dead, in order to defraud, then he is liable to three years imprisonment; if he represents himself as a person entitled by will or under Law to a certain asset and he does so in order to obtain that asset or its possession, then he is liable to five years imprisonment.

False acknowledgment of liability

442. If a person acknowledges a liability or an instrument in the name of another person before a Court or a person lawfully authorized to accept such acknowledgment, and if he is unable to prove any authorization or lawful justification, then is liable to three years imprisonment.

Impersonation of holder of document

443. If a document is given by a competent authority to another person, certifying that that person possesses a qualification recognized by Law for a certain purpose, or that he holds a certain office, or that he is entitled to engage in a certain profession, trade or business, or that he is entitled to any right, privilege, rank or status, and if a person issues a document and falsely represents himself as the person named in it, then he is liable to punishment, as if he had forged the certificate.

Transfer of document for purposes of impersonation

444. If a person was given a document by lawful authority, certifying that anything said in section 443 applies to him, and if he sells, gives or lends the document to another person with the intent that the other person be able to represent himself to be the person named in the document, then he is liable to three years imprisonment.

Forgery of banknote

461. If a person does one of the following, then he is liable to seven years imprisonment:

(1) he forges or alters a banknote with intent to defraud, or circulates a note that appears to be a banknote, knowing that it is forged or altered;

(2) he brings or receives from abroad or acquires or receives in Israel or has in his possession or custody a note that appears to be a banknote, knowing it to be forged or altered, and he cannot prove lawful authority or justification.

Imitation of banknotes

463. (a) If a person makes or causes to be made a document, which appears to be a banknote part of a banknote, or which resembles them in any respect, or which so nearly resembles them that it can deceive, and if he uses an aforesaid document for any purpose whatsoever or circulates it, then he is liable to three months imprisonment, and the Court shall order confiscation of the document and its copies and of any instrument or other thing in the offender's possession, which was used or is capable of being used by him to print or reproduce the said document.

(b) If a person's name appears on a document, the making of which is an offense under this section, and if he knows the name and address of the person who printed or made the document, but refuses to disclose them to a police officer, then he is liable to three months imprisonment.

(c) If the name of a person appears on a document in respect of which a person is charged with an offense under this section, or on another document used or circulated for purposes of the document under discussion, then that shall constitute prima facie evidence that he caused the document to be made.

Possession of material for forging banknotes

464. If a person does one of the following without being able to prove that he has lawful authority or justification therefor, then he is liable to five years imprisonment:

(1) he makes, sells or displays for sale paper similar to the special paper used for making banknotes and is liable to be accepted as such, or uses it or knowingly keeps or holds aforesaid paper;

(2) he makes a frame, mold or instrument used for making paper said in paragraph (1), or for producing on or in paper words, numbers, devices that are distinctive of it and appear on it, or uses the said utensils or knowingly keeps and holds them;

(3) he causes – by deceit or trickery – words, a device or distinctive mark said in paragraph (2), or such as are intended to resemble them and are liable to pass for them, to appear visibly in the substance of any paper;

(4) he engraves or otherwise makes on a plate or on any material a note that purports to be a banknote or part of it, or a name, word, number, figure, device, character or ornament which resembles or apparently is intended to resemble an aforesaid signature;

(5) he uses a plate, material, instrument or device said in this section for the production or printing of banknotes, or he knowingly keeps and holds them;

(6) he knowingly circulates a paper on which an aforesaid matter was made or printed, or he knowingly keeps and holds them.

Unlawful circulation of banknote

465. If a person circulates a banknote without lawful authority, then he is liable to five years imprisonment.

Counterfeiting precious coins

471. If a person makes or begins to make counterfeit precious coins, then he is liable to seven years imprisonment.

Preparation of metal for counterfeiting precious coins

472. If a person gilds or silvers a piece of metal appropriate in size or form for coining, with the intention that it be coined into a counterfeit precious coin, or if he gives a piece of metal a size and form appropriate to facilitate coining it as an aforesaid coin, with the intention that it be coined, then he is liable to seven years imprisonment.

Preparation of implements for counterfeiting of precious coins

473. If a person does one of the following and if he is not able to prove lawful authority or justification, then he is liable to seven years imprisonment:

- (1) he makes, has in his possession or transfers a stamp or mould suitable for making the complete or partial form of one face of a precious coin or of both, knowing that it is suitable as aforesaid;
- (2) he makes, has in his possession or transfers an implement suitable for or intended to be used for marking the edges of coins with marks or figures that appear similar to those on the edges of a precious coin, knowing that it is suitable or intended as aforesaid;
- (3) he makes, has in his possession or transfers a press for coining, or an implement adapted to cutting round blanks of gold, silver or other metal, knowing that the press or implement was used or is intended to be used for making counterfeit precious coins.

Clipping precious coins

474. If a person does anything with a precious coin that is liable to reduce its weight, with the intention that thereafter the coin will be accepted as a precious coin, or if he unlawfully holds or transmits filings or clippings of gold or silver, or gold or silver in the form of bars, dust, solution or other form, which was obtained by treating precious metal coins as aforesaid, knowing that it was so obtained, then he is liable to seven years imprisonment.

Trade in counterfeit precious coins

475. If a person buys, sells, accepts, pays with or transfers counterfeit precious coins at a value below the value it represents or below the value that it apparently is intended to represent, or if he proposes to do so and is not able to prove lawful authority or justification, then he is liable to seven years imprisonment.

Importing counterfeit precious coins

476. If a person imports to Israel or receives from abroad counterfeit precious coins, knowing them to be counterfeit and if he is not able to prove lawful authority or justification, then he is liable to seven years imprisonment.

Counterfeit base coins

477. If a person does one of the following, then he is liable to seven years imprisonment:

- (1) he makes or begins to make counterfeit base coins;
- (2) he knowingly installs, holds or transfers a tool adapted and intended for making counterfeit base coins, and he is not able to prove lawful authority or justification;
- (3) he buys, sells, accepts, pays or transfers counterfeit base coins at a value below the value they represent or below the value that they apparently are intended to represent, or if he proposes to perform one of these acts.

Removal of tools and materials from State mint

478. If a person knowingly removes from a mint of the State a stamp, mold, tool or press used in coining or a serviceable part of any of these, or coins, bars or metal, and if he is not able to prove lawful authority or justification, then he is liable to seven years imprisonment.

Putting counterfeit coins into circulation

479. If a person does one of the following, he is liable to three years imprisonment:

- (1) he knowingly puts counterfeit coins into circulation;
- (2) he knowingly has in his possession not less than three counterfeit coins in order to put some of them into circulation.

Article Three: Stamps

Definitions

484. In this Article, "installs" – makes, repairs, begins to make or to repair, or makes preparations for making or repairing.

Installation of tool for making stamps

485. If a person does one of the following and if he is not able to prove lawful authority or justification, then he is liable to seven years imprisonment:

- (1) he knowingly holds, transfers, installs, manufactures or prepares for use a press other implement, and by their use an impression can be made similar to the impression obtained from such implements in the printing or impressing of glued or impressed revenue stamps or postage stamps, used for the requirements of the State of Israel or of a foreign state, or from which may be obtained words, figures, letters, marks or lines similar to those that appear on special paper for the aforesaid purposes, which is supplied by the authority designated therefor;
- (2) he knowingly holds or transfers paper or other material, on which is the impression of a press tool said in paragraph (1), or paper on which are words, figures, letters, marks or lines as said there.

Prohibition on Terrorist Financing Law, 5765-2004

Chapter One: Interpretation

Definitions

1. In this law -

“Person who is a terrorist activist” - one of the following:

- (1) a person who is active in perpetrating an act of terrorism or aids or solicits the perpetration of an act of terrorism;
- (2) a person who takes an active role in a terrorist organization that has been declared as such;

“Terrorist organization” - an association of people which acts to perpetrate an act of terrorism or has as its goal enabling or promoting the perpetration of an act of terrorism; for this purpose it is immaterial –

- (1) whether or not the members of the organization know the identity of the other members;
- (2) if the composition of the members of the organization is fixed or changes;
- (3) if the organization also carries out legal activities and if it also acts for legal purposes;

“A declared terrorist organization” means any one of the following:

- (1) an association of people which the Ministerial Committee has declared as a terrorist organization pursuant to Section 2;
- (2) an association of people which the government has declared as a terrorist organization pursuant to Section 8 of the Prevention of Terrorism Ordinance, including an association of people which the government has declared as such before this law became effective;
- (3) an association of people which the Minister of Defense has declared as a non-permitted organization pursuant to Section 84(1)(b) of the Defense (Emergency) Regulations, including an association of people which the Minister of Defense has declared as such before this law became effective;

“Ministerial Committee” - Ministerial Committee for National Security as defined in Section 6 of the Government Law, 5761-2001³;

“Association of people” – regardless of whether it is incorporated or not;

“Prohibition on Money Laundering Law” – Prohibition on Money Laundering Law, 5760-2000⁴;

“Penal Law” – Penal Law, 5737-1977⁵;

“An act that constitutes an offence” – including an act that was committed or was planned to be committed outside of Israel, which the penal laws of Israel are not applicable to, provided that the act constitutes an offence according to the laws of the State of Israel and according to the laws of the place

³ *Sefer HaHukim* (Code of Law) 5761, p. 168.

⁴ *Sefer Hahukim* (Code of Law) 5760, p. 293.

⁵ *Sefer Hahukim* (Code of Law) 5737, p. 226.

where the act was committed or the laws of the country against which, or against whose residents or citizens, the act was intended;

“An act of terrorism” –

(a) an act that constitutes an offence or a threat to commit an act that constitutes an offence that was committed or was planned to be committed in order to influence a matter of policy, ideology or religion if all of the following conditions are fulfilled:

(1) it was committed or was planned to be committed with the goal of causing fear or panic among the public or with the goal of coercing a government or another governing authority, including the government or governing authority of a foreign country to take action or to refrain from taking action; for the purposes of this paragraph – foreseeing, as a nearly certain possibility, that the act or the threat will cause fear or panic among the public is equivalent to having a goal to cause fear or panic among the public;

(2) the act that was committed or that was planned or the threat included:

(a) actual injury to a person’s body or his freedom , or placing a person in danger of death or danger of grievous bodily injury;

(b) the creation of actual danger to the health or security of the public;

(c) serious damage to property;

(d) serious disruption of vital infrastructures, systems or services;

(b) if the aforementioned act or threat was committed or was planned to be committed using weapons as defined in Section 144(c)(1) and (3) of the Penal Law, excluding a weapon part or accessory, it will be considered an act of terrorism even if the conditions of paragraph (1) of subsection (a) are not met, and if it was committed or planned to be committed using chemical, biological or radioactive weapons that are liable, due to their nature, to cause actual mass harm – even if the conditions set forth in paragraphs (1) and (2) of subsection (a) are not met;

“Property transaction” – acquisition or receipt of ownership or other rights in property, regardless of whether any consideration is paid, including solicitation, transfer, receipt, possession, exchange, banking transactions, investment, any transaction involving securities or possession of securities, brokerage, granting or receipt of credit, import, export or creation of a trust or co-mingling of terrorist property with other property even if it is not terrorist property;

“Prevention of Terrorism Ordinance” - Prevention of Terrorism Ordinance, 5708-1948⁶;

“Arrest and Search Ordinance” – Criminal Procedures (Arrest and Search) [New Version] Ordinance, 5729-1969⁷;

“Public” – including a sector of the public, a public that is not in Israel and a public that is not Israeli;

“Property”- immovable and movable property, monies and rights, inclusive of property which is the proceeds of any such property, and any property accruing or originating from such property or its profit;

⁶ ת"ע 5708, appendix A, p. 73.

⁷ Laws of the State of Israel, New Version, 12, p. 284.

“Property connected with an offence” - property satisfying one of the following:

- (1) the offence was committed in it, it was used for the commission of the offence, it enabled the commission of the offence or it was intended for the commission of the offence;
- (2) it was directly or indirectly obtained as remuneration for commission of the offence, it was intended to be remuneration for commission of the offence or it was obtained as a result of commission of the offence.

“Terrorist property” – any one of the following:

- (1) property of a terrorist organization or a declared terrorist organization, property that is used or is intended to be used for its activity or property that enables its activity;
- (2) property that was used, enabled or advanced the commission of an act of terrorism, or property that will be or is intended for one these purposes;
- (3) property that was obtained, directly or indirectly, as remuneration or reward for commission of an act of terrorism or as a result of its commission, or property that will be or is intended to be remuneration or reward for the commission of an act of terrorism whether directly or indirectly;

“Seizure”, regarding property that is a right – including the prohibition on using the right, limitation of the right or making it subject to conditions;

“Defense (Emergency) Regulations” – Defense (Emergency) Regulations, 1945⁸.

Chapter Two: Declaration That a Foreign Person is a Terrorist Activist or That a Foreign Organization is a Terrorist Organization in accordance with a Determination Outside of Israel

Declaration in Israel that a Foreign Person is a Terrorist Activist or that a Foreign Organization is a Terrorist Organization in accordance with a Determination Outside of Israel

2. (a)(1) If it has been determined outside of Israel that a foreign person is a terrorist activist or that a foreign association of people is a terrorist organization and the Ministerial Committee has a reasonable basis to assume that the said foreign person is a terrorist activist or that the said foreign association of people is a terrorist organization, it may, subject to the provisions of subsection (e)(1), declare that the said person is a terrorist activist or that the said association of people is a terrorist organization. In concern with this paragraph, the phrase "determined outside Israel" means – Determined by a competent entity of a foreign country, following proceeding taken in the same country according to its laws.

(2)(a) If it has been determined by the Security Council of the United Nations or by some authorized by it that a foreign person is a person who is a terrorist activist or that a foreign body of persons is a terrorist organization, then the Committee of Ministers is entitled, subject to the provisions of subsection (d)(1), to declare that same person a terrorist activist or that same body of persons a terrorist organization. In concern with this subsection –

⁸ ת"ע 1945, second appendix, p. 855.

“Determined outside of Israel” –erased;

“Foreign” – regarding a person – a person who is not an Israeli citizen or resident; regarding an association of people – an association of people whose center of business is not located in Israel and if it is a corporation it satisfies both of the following: it is not registered in Israel and a resident of Israel does not hold control of it;

“Resident of Israel” – including a person whose place of residence is in the Area and he is an Israeli citizen or he is entitled to immigrate to Israel according to the Law of Return, and if his place of residence was in Israel he would be considered a resident of Israel;

“The Area” – as defined in the Law for the Extension of the Effect of the Emergency Regulations (Judea and Samaria and the Gaza Strip – Jurisdiction of Crimes and Legal Assistance), 5738-1977⁹.

(b) When asserting its authority pursuant to subsection (a) regarding a person who is a member of a terrorist organization that has been declared as such pursuant to subsection (a), the Ministerial Committee may regard his membership in such an organization as *prima facie* evidence that such person is a terrorist activist.

(c) If the Ministerial Committee has made a declaration regarding a person or an association of people pursuant to subsection (a) and the determination of the foreign country or the United Nations Security Council that such person is a terrorist activist or such association of people is a terrorist has been annulled, the Ministerial Committee shall annul its declaration.

(d)(1) The Ministerial Committee shall not declare an association of people to be a terrorist organization pursuant to this section if the government has declared that the same organization is a terrorist organization pursuant to Section 8 of the Prevention of Terrorism Ordinance or if the Minister of Defense has declared that same association as a non-permitted organization pursuant to Section 84(1)(b) of the Defense (Emergency) Regulations, regardless of whether such declaration was made prior to or after this law became effective.

(2) Nothing in the provisions of this section shall derogate from the government’s authority to declare that an association of people is a terrorist organization pursuant to Section 8 of the Prevention of Terrorism Ordinance or from the authority of the Minister of Defense to declare that an association of people is a non-permitted organization pursuant to Section 84(1)(b) of the Defense (Emergency) Regulations, even after a declaration has been made pursuant to this section.

The Advisory Committee

3. (a) The government shall appoint an advisory committee consisting of three members, who shall be: a former district court judge or Supreme Court justice who will serve as the chairman, and a person with an appropriate security background, both of whom shall be appointed on the basis of the proposal of the Minister of Defense and the Minister of Justice, and an additional member who is a lawyer, on the basis of the proposal of the Attorney General (in this law – The Advisory Committee).

(b) The Advisory Committee shall make recommendations to the Ministerial Committee regarding a petition for cancellation pursuant to Section 4, and it may advise the Ministerial

⁹ *Sefer Hahukim* (Code of Law) 5738, p. 48.

Committee in any matter that it has brought before it and that involves its authority pursuant to this law.

Petition to Cancel a Declaration and the Deliberation Regarding It

4. (a) One who has been declared, pursuant to Section 2, as a terrorist organization or a person who is a terrorist activist, and anyone who has been directly harmed by such a declaration, may submit a petition for the cancellation of the declaration to the Advisory Committee, and to submit an additional petition if new facts have been disclosed or the circumstances have changed (in this law – a petition for cancellation).

(b) In a proceeding pursuant to this law, including a criminal proceeding regarding an indictment for an offence pursuant to this law, the Court will not entertain an argument pertaining to the cancellation of the declaration made pursuant to Section 2.

(c) The Advisory Committee will hear a petition for cancellation and will bring its recommendation before the Ministerial Committee, after it has given the petitioner an opportunity to bring its arguments before it; if the Advisory Committee has found that the conditions for a declaration pursuant to Section 2(a) are not fulfilled, it will recommend to the Ministerial Committee to cancel the declaration.

(d) The Ministerial Committee will consider the recommendation of the Advisory Committee and will render its decision within the time provided.

Periodic Review

5. The Advisory Committee will hold a periodic review of declarations pursuant to Section 2 once every four years, and will examine whether the circumstances have changed or if new facts have been disclosed and if the conditions for a declaration pursuant to this law are still satisfied; if the Advisory Committee is of the opinion that there is reason to hold a re-hearing regarding a declaration, it will make its recommendations to the Ministerial Committee which will consider the recommendations and give its decision within the time provided; the first periodic review will take place at the end of four years from the publication date of the declaration pursuant to Section 2.

Cancellation of a Declaration

6. (a) The Ministerial Committee, on its own initiative or pursuant to a recommendation of the Advisory Committee, as set forth in Sections 4 and 5, may cancel a declaration that was made pursuant to the provisions of Section 2.

(b) In a decision to cancel a declaration pursuant to this section, the Ministerial Committee will establish the date on which the cancellation becomes effective.

Publication

7. (a) A notice of a declaration pursuant to Section 2 or the cancellation of a declaration pursuant to Section 4 will be published in the Official Gazette of the Israeli Government.

(b) The Minister of Justice may provide for additional ways in which to inform the public regarding a declaration or its cancellation.

Chapter Three: The Offenses

Prohibition on a Transaction in Property for Purposes of Terrorism

8. (a) One who performs a transaction in property for the purpose of enabling, furthering or financing the perpetration of an act of terrorism, or to reward the perpetration of an act of terrorism, or for the purpose of enabling, furthering or financing the activity of a declared terrorist organization or of a terrorist organization shall be liable to imprisonment for ten years or a fine that is 20 times greater than the fine set in Section 61(a)(4) of the Penal Law.

(b) For the purposes of subsection (a) –

(1) proof that the transaction was performed for one of the purposes set forth in it is sufficient, even if it was not proven for which of those purposes specifically;

(2) “for the purpose” – including foreseeing that at least one of the possibilities set forth there is a nearly certain possibility;

(3) “to reward the perpetration of an act of terrorism” – even if the recipient of the reward is not the one who perpetrated or planned to perpetrate the act of terrorism.

Prohibition on a Transaction in Terrorist Property

9. (a) He who performs one of the following is liable to imprisonment for seven years or a fine that is ten times greater than the fine set in Section 61(a)(4) of the Penal Law –

(1) Carries out a property transaction that is capable of enabling, furthering, or financing the perpetration of an act of terrorism or to reward the perpetration of an act of terrorism even if the recipient of the reward is not the one who perpetrated or planned to perpetrate the act of terrorism; for the purposes of this paragraph, proof that the one who carried out the transaction was aware that one of the possibilities existed is sufficient even if it is not proven which one of them specifically;

(2) Carries out a transaction in terrorist property or property that is direct compensation or direct profit from terrorist property; for the purposes of this paragraph, “Property” includes immovable property, movable property, money and rights;

(3) Transfers property to a declared terrorist organization or to a terrorist organization.

(b) He who carries out a transaction in property of a person whom he knows to be a terrorist activist as said in paragraph (1) of the definition 'a person who is a terror activist' or that concerning him and the organization in which he takes an active role, there is a declaration according to section 2, there is a presumption that he did so with the knowledge that the transaction will enable, further or finance the perpetration of an act of terrorism, or to serve as a reward for the perpetration of an act of terrorism, as relevant, unless he brings evidence that he had no such knowledge; where a reasonable doubt has arisen as to whether he knew, and the doubt has not been resolved, the doubt will be to his advantage.

(c)(1) For the purposes of this section, a person will not be regarded as having refrained from clarifying the nature of the behavior or the possibility of the existence of the circumstances for the purposes of Section 20(c)(1) of the Penal Law, if all of the following have been fulfilled:

(a) delay of the transaction in order to clarify the nature of the behavior or the existence of the circumstances for the purposes of Section 20(c)(1) of the Penal Law and in order to file a report

prior to carrying out the transaction pursuant to the provisions of Section 10, would, under the circumstances, constitute a tangible burden regarding his business transactions;

(b) shortly after carrying out the property transaction he filed a report of the transaction pursuant to the provisions of Section 10, and acted in accordance with the instructions of the police regarding the transaction; the Minister of Public Security upon consultation with the Minister of Justice will establish the timeframe and manner in which the instructions will be given by the police.

(2) In paragraph (1), “report of a property transaction” and “and acted in accordance with the instructions of the police” – including the transmission of a notice pursuant to Section 84(2)(a) of the Defense (Emergency) Regulations as well as an action in accordance with instructions that were given to him pursuant to Section 84(2)(b), (c) and (e) of the said regulation.

(d)(1) The provisions of this section will not apply to types of property transactions or a particular transaction if permission to carry out the transaction has been granted in advance by the Minister of Finance in consultation with the Minister of Defense and the Minister of Public Security.

(2) Notice of the granting of permission pursuant to this section that is meant for a nonspecific group of people will be published in the Official Gazette of the Government of Israel.

(3) The Minister of Finance may designate additional ways to inform the public of the granting of the permission.

The Obligation to Report on a Property Transaction

10.(a) A person who has been asked to carry out a property transaction in the course of his business dealings or while fulfilling the duties of his position, or in circumstances in which there was an actual possibility to carry out the transaction, and such person had a reasonable suspicion that one of situations set forth in paragraphs (1) or (2) exists, or a person who carried out a property transaction and at the time of carrying out the transaction or within six months from such time, he had a reasonable suspicion as stated, shall report to the Israel Police; for these purposes it is sufficient to prove that he had a reasonable suspicion that one of the situations set forth in paragraphs (1) or (2) exists, even if it is not proven which one of them -

(1) the property is terrorist property as defined in paragraph (1) of the definition of terrorist property or it is direct compensation in exchange for, or direct profit from terrorist property as stated; for the purposes of this paragraph, “Property” – immovable or movable property, money and rights;

(2) the transaction may enable, further, finance or reward the perpetration of an act of terrorism.

(b) One who is obligated to report pursuant to Section 7 of the Prohibition on Money Laundering Law may submit the report pursuant to the provisions of this section to the authorized authority pursuant to Section 29 of the said law.

(c) A report as referred to in subsection (a) shall include all of the information known to the one reporting that is pertinent to the matter and will be submitted as close as possible, considering the circumstances of the matter, to the time when that person had a reasonable suspicion to assume as set forth in that subsection.

(d) The manners of reporting and the timeframes pursuant to this section will be consistent with the manners of reporting and the timeframes set forth pursuant to Sections 6(b) and (7)(e) of the Prohibition

on Money Laundering Law unless the ministers referred to in those sections have provided otherwise after consultation as set forth in those sections.

(e) One who has not submitted a report pursuant to the provisions of this section is liable to one year of imprisonment or a fine in the amount set forth in Section 61(a)(3) of the Penal Law.

(f) The provisions of this section do not apply to a person who submitted a report pursuant to Section 84(2)(a) of the Defense (Emergency) Regulations.

Exemption from Responsibility and Restrictions on the Disclosure of Reports

11.(a) The failure to carry out a property transaction, another omission or an act that was done in good faith in order to avoid committing an offence pursuant to this chapter, report, disclosure or non-disclosure that were made in good faith in order to fulfill the provisions of this chapter, and a transaction in accordance with the instructions of the police or the instructions that were given pursuant to Section 84(2)(a) of the Defense (Emergency) Regulations, do not constitute a breach of obligations of confidentiality and trust or of any other obligation pursuant to any law or agreement, and one who did or abstained from doing as set forth, will not be have any criminal, civil or disciplinary liability for the act or the omission; the provisions of Section 24(b) and (c) of the Prohibition on Money Laundering Law will apply regarding an act or omission pursuant to this subsection.

(b) Section 25 of the Prohibition on Money Laundering Law will apply regarding disclosure and reporting pursuant to the provisions of this chapter, with the necessary changes.

Chapter Four: Forfeiture of Property after Conviction in Criminal Proceedings

Post-Conviction Mandatory Forfeiture, Except on Special Grounds

12. Where a person has been convicted of an offence pursuant to Sections 8 or 9, the Court shall order, unless it decides not do so on special grounds that it shall detail, that in addition to any punishment, the property that is connected to the offence and that is in the possession, the control or in the account of the convicted person shall be forfeited.

Optional Forfeiture of Property of One Who Has Been Convicted

13. Where property as set forth in Section 12 is not found for the issuance of a forfeiture order pursuant to the said section or to realize the forfeiture order in full, because of an act performed by the convicted person not in good faith, the Court may issue a forfeiture order or direct that the order be realized from the property of the convicted person that is equal in value to the property that is connected to the offence.

Post-Conviction Optional Forfeiture of Property That the Convicted Person Financed or Gave to Another Without Compensation

14. Where property of the convicted person is not found for the issuance of a forfeiture order or to realize the forfeiture order in full pursuant to Section 13, the Court may order the forfeiture or direct that the order be realized from the property of another person, even if it is not property that is connected to the offence, if the convicted person financed its acquisition or transferred it to the other person without consideration for the purpose of preventing the forfeiture of the property pursuant to the said section.

Post-Conviction Optional Forfeiture of Property Connected with an Offence

15. Where a person has been convicted of an offence pursuant to Sections 8 or 9, the Court may order the forfeiture of property connected with the offence, even if it is not found in the possession, the control or the account of the convicted person.

Application of Prosecutor to Forfeit Property – Specification in the Indictment

16. The application of a prosecutor to forfeit property pursuant to this chapter, and the details of the property for which forfeiture is requested or the value of the property with respect to which the forfeiture order is requested shall be set forth in the indictment; when additional property is discovered, the forfeiture of which is requested, the prosecutor may amend the indictment at any stage of the proceedings prior to the handing down of the sentence.

Proof of Facts and Conditions Required for Forfeiture

17. Further to a conviction in criminal proceedings, the degree to which the facts and conditions for forfeiture under this chapter must be proven is the degree of proof required in a civil trial.

Transfer of Hearing on Forfeiture to a Civil Proceeding and Forfeiture within the Framework of Such Proceeding

18. (a) Where the Court determines that the examination of the arguments on forfeiture is likely to impede the continuation of the hearing in the criminal proceedings, it may, on grounds to be recorded, determine that the hearing on forfeiture shall take place in civil proceedings in a district court.

(b) Forfeiture of property in civil proceedings after the hearing has been transferred, as stated in subsection (a), from the court that convicted the person in the criminal proceedings, shall be performed under the provisions of this chapter, *mutatis mutandis*, and the provisions of Chapter Six shall not apply.

Value of Forfeited Property

19. The value of forfeited property according to forfeiture orders made pursuant to this Chapter shall not exceed the value of property connected to the offence in connection with which commission the order was given.

Chapter Five: Restrictions on Forfeiture of Property Further to Conviction in a Criminal Proceeding

Property that May Not Be Forfeited Due to Rights of another Person

20. (a) The Court shall not order the forfeiture of all or of part of any property, even if the facts and conditions for forfeiture of property pursuant to Sections 12, 13, 14 and 15 have been proven, in the following instances:

(1) In forfeiture pursuant to Sections 12 and 15 - if one of the following has been fulfilled:

(a) the person claiming a right to the property proved his right to the property and that he acquired such right prior to the commission of the offence in connection with which the forfeiture is requested, and he brought evidence that he was unaware or did not agree, as the case may be, that the property would be property connected with the aforesaid offence; where a doubt arises as to

whether he was unaware or did not agree, and this doubt is not removed, the doubt shall operate in favor of the person claiming the right;

(b) the person claiming a right to the property proved his right to the property and that he acquired such right after commission of the offence in connection with which the forfeiture is requested, and he proved that he did so for consideration and in good faith;

(2) In forfeiture pursuant to Section 13 - the person claiming a right to the property has proved his right to the property;

(3) In forfeiture pursuant to Section 14 - the person claiming a right to the property is not the person to whom the convicted person transferred the property or for whom he financed the acquisition of his right to the property; he has proven his right to the property, and the provisions of subparagraphs (a) or (b), as the case may be, of paragraph (1) have been fulfilled.

(b) Where the Court has found that part of the property should not be forfeited under the provisions of subsection (a) on account of the right of a person claiming a right to the property, it may, notwithstanding the provisions of the opening passage of subsection (a), also forfeit that part of the property, if it finds it proper to do so, subject to instructions to protect the right of the person claiming a right to the property, and preventing any unreasonable injury to such property, and instructions regarding compensation for any reasonable injury to such property.

(c) In this section, “a person claiming a right to property” - to the exclusion of the convicted person.

Proof of Existence of the Restrictions on Forfeiture

21. Subject to the provisions of Section 20(a)(1)(a) regarding the raising of a doubt, the level of proof of the restrictions on forfeiture pursuant to this chapter, and removal of the said doubt shall be the level of proof required in a civil trial.

Chapter Six: Forfeiture of Terrorist Property in a Civil Proceeding That Was Not Preceded by Criminal Proceedings Regarding a Terrorist Organization or an Act of Terrorism That Have No Connection to Israel

Forfeiture of Property in a Civil Proceeding That Was Not Preceded by Criminal Proceedings or Transferred After Criminal Proceedings

22. The District Court, upon the application of a District Attorney, may order the forfeiture of property in civil proceedings, whether or not a person has been convicted or accused of an offence pursuant to this law, where it is satisfied that the property is terrorist property and it is one of the following:

(1) with respect to paragraph (1) of the definition of “terrorist property”, the property is property of an organization that has been declared as a terrorist organization pursuant to Section 2;

(2) with respect to paragraphs (2) and (3) of the definition of “terrorist property”, the property is connected with an act of terrorism that has no connection with Israel.

Property That May Not Be Forfeited Due to Rights of Another Person

23. (a) The Court shall not order the forfeiture of all or of part of any property, even if the facts and conditions for forfeiture of property pursuant to Section 22 have been proven, in the following instances:

(1) the person claiming a right to the property proved his right to the property and that he acquired such right prior to the property becoming terrorist property and he brought evidence that he was unaware or did not agree, as the case may be, that the property would be terrorist property; where a doubt arises as to whether he was unaware or did not agree, and this doubt is not removed, the doubt shall operate in favor of the person claiming the right;

(2) the person claiming a right to the property proved his right to the property and that he acquired such right after the property became terrorist property and he proved that he did so for consideration and in good faith.

(b) Where the Court has found that part of the property should not be forfeited pursuant to the provisions of subsection (a) on account of the right of a person claiming a right to the property, it may, notwithstanding the provisions of the opening passage of subsection (a), also forfeit that part of the property, if it finds it proper to do so, subject to instructions protecting the right of the person claiming a right to the property, and preventing any unreasonable injury to the property, and instructions regarding compensation for any reasonable injury to the property.

Proof of Facts and Conditions Required for Forfeiture

24. The degree to which the facts and conditions for forfeiture pursuant to this chapter must be proven is the degree of proof required in a civil trial.

Chapter Seven: Forfeiture- General Provisions

Right of Argument

25 (a) Notice of an application of a prosecutor for forfeiture of property shall be delivered to the convicted person as well as to the owner of the property, to one who has the property in his possession, control or account and to one who claims a right to the property (in this law – one who claims a right in the property), if he can be located with reasonable diligence in the circumstances of the case.

(b) The Court may order the publication of an application for forfeiture of property in a newspaper or in another manner that it determines; such publication shall not prejudice the right of a person claiming a right to the property to file an application to amend or cancel the forfeiture order pursuant to Section 27.

(c) The Court shall not order the forfeiture of property under this chapter except after having granted the person claiming a right to the property, if known, an opportunity to raise his claims.

Property Which Cannot Be Forfeited and Assurance of Means of Subsistence and Housing

26. (a) The Court will not order the forfeiture of property under this law if it is considered movable property which cannot be attached pursuant to Section 22 of the Execution of Court Decisions Law, 5727-1967¹⁰ (in this law – the Execution of Court Decisions Law).

(b) The Court will not order the forfeiture of property pursuant to this law unless it has found that the owner of the property to be forfeited and his family members residing with him shall have reasonable means of subsistence and a reasonable place of residence.

¹⁰ *Sefer Hahukim* (Code of Law) of 5727, p. 116.

Amendment or Cancellation of a Forfeiture Order

27. (a) A person claiming a right to property forfeited under this law (in this section - the applicant) who was not summoned to state his case with respect to the forfeiture order, may request of the Court which ordered the forfeiture to amend or cancel the order.

(b) An application to amend or cancel a forfeiture order shall be filed within two years from the day the forfeiture order was issued, or within a longer period as determined by the Court, if it deems it just to do so.

(c) Where the court has amended or canceled a forfeiture order, it shall order the return of all or part of the property to the applicant, or compensation from the State Treasury to the applicant where it is impossible to return the property, or the applicant has agreed to receive compensation; where the Court has ordered the payment of compensation for the property, it shall set out in the order the amount of the payment, according to the free market value of the property on the day the forfeiture order was issued, or on the day the payment order was issued, according to the higher of the two; the payment order or the order for the return of the property shall be issued no later than three months from the day on which the Court decided to cancel the forfeiture order.

(d) Where the Court has amended or canceled a forfeiture order, it may order that any person injured because of the order shall be compensated from the State Treasury.

(e) An order for the return of property or an order for payment shall be implemented as soon as possible, and no later than 60 days from the day on which they were issued.

Appeal

28. A decision regarding the issuance of a forfeiture order pursuant to this law, its amendment or cancellation and any decision within the scope of a hearing on the application for the grant of a temporary order may be appealed within 30 days from the day on which the appellant is notified of the decision, in the same manner as a decision in a civil matter is appealed; however, if the decision is rendered in the sentencing judgment and the judgment is appealed, the court may also hear the appeal relating to the forfeiture order; an appeal on a decision concerning a temporary order shall be heard by a single judge.

Powers of search and seizure

29. Powers of search and seizure under the Arrest and Searches Ordinance, shall apply, subject to the provisions of this Law and *mutatis mutandis*, with respect to property regarding which a forfeiture order may be issued pursuant to this law.

Presumption Regarding Property of the Convicted Person

30. For the purposes of Chapters 4-9, property found in the possession, the control or in the account of the convicted person, of a declared terrorist organization or of a person who has been declared pursuant to Section 2 to be a terrorist activist, is presumed to be the property or such persons or organization, unless proven otherwise.

Chapter Eight: Temporary Measures

Subchapter A: Temporary Measures to Insure Forfeiture

Power to Grant Temporary Measures

31. Where an indictment has been filed that includes an application for forfeiture, or an application for forfeiture in a civil proceeding has been filed, the Court may, upon the application of a District Attorney, grant a temporary order with respect to giving pledges on behalf of the convicted person or another person in possession of property, an injunction, an attachment order, an order for seizure of property or other orders, including instructions to the Administrator General or another person with respect to the temporary management of the property (in this law - the temporary order); in this subchapter, “court” means the court in which the indictment has been or will be filed or the court in which the application for forfeiture in civil proceedings has been or will be filed, as the case may be.

Conditions for Granting Temporary Remedies to Insure the Forfeiture

32. The Court may grant a temporary order pursuant to the provisions of this subsection where it is satisfied that *prima facie* evidence exists to prove the grounds for forfeiture and that failure to grant the order will hinder the realization of the forfeiture; in this matter, “the grounds for forfeiture” means the facts and the conditions required in order to forfeit property pursuant to Chapter Four or Six, subject to the limitations to forfeiture of property pursuant to Chapter Five or Six.

Grant of Temporary Remedy Prior to a Filing of an Indictment or a Request for Civil Forfeiture

33. (a) The Court may grant a temporary order pursuant to the provisions of this subchapter even prior to the filing of an indictment or a request for forfeiture in civil proceedings, as the case may be, upon the request of a District Attorney, if it has been duly satisfied that there are reasonable grounds to assume that the property with respect to which the order is requested is likely to disappear or that actions are likely to be done with such property preventing the realization of the forfeiture.

(b) A temporary order granted prior to the filing of an indictment shall lapse if the indictment is not filed within six months from the day the order was issued; the Court may extend this period for additional periods not exceeding three months, provided that the total period does not exceed one year from the day the order was issued; notwithstanding the provisions of this subsection, a justice of the Supreme Court may order the extension of the effective date of the temporary order, from time to time, each extension cannot exceed a period of three months.

(c) A temporary order granted prior to the filing of a request for civil forfeiture shall lapse if the request is not filed within three years from the day the order was given, unless one who claims a right to the property files a request for the cancellation or amendment of the order; if such a request is filed, the Court will hold a hearing in the presence of the parties and the burden to show that the conditions set forth in this subchapter for the granting of a temporary order are met will be on the party who requested that the order be granted.

(d) Where a temporary order has been granted pursuant to this section and within the period in which it is in force an indictment or an application for forfeiture in civil proceedings, as the case may be, has been filed, the temporary order shall lapse upon the expiration of ten days from the time of filing the indictment or application, as the case may be, if, within this period of time an application for the grant of a temporary order pursuant to the provisions of Section 31 has not been filed in the court.

Subchapter B: Temporary Remedies to Prevent an Act of Terrorism that has no Connection to Israel

Conditions for Granting a Temporary Remedy in order to Prevent an Act of Terrorism that has no Connection to Israel

34. (a) The District Court may grant a temporary order pursuant to this subchapter even if no indictment or request for civil forfeiture has been filed, if it is convinced that granting the order is necessary in order to prevent an act of terrorism that has no connection to Israel.

(b) A temporary order that is granted pursuant to subsection (a) will expire within three years from the date it was granted unless one who claims a right to the property has filed a request to cancel or amend the order; if such a request is filed, the Court will hold a hearing in the presence of all of the parties and the party requesting that the order be granted will bear the burden of showing that the conditions for the granting of a temporary order are fulfilled.

(c) The Supreme Court may extend the temporary order that was granted pursuant to subsection (b) for additional periods of time that will not exceed one year on each occasion, if it is convinced that the order is necessary in order to prevent an act of terrorism as set forth in subsection (a).

Classified Evidence

35. (a) In a hearing on an application for the granting of a temporary order pursuant to this subchapter, the Court may deviate from the rules of evidence for reasons that shall be recorded, and accept material as evidence, even in the absence of the party claiming a right in the property or his counsel, or without disclosing such evidence to them, if, after using the evidence or hearing arguments, it was convinced that disclosure of the evidence is likely to harm the security of the State or to cause harm to its foreign relations and that non-disclosure of the evidence is preferable to its disclosure in order to do justice (hereinafter - classified evidence), the Court may, prior to making a decision pursuant to this section, peruse the evidence or hear explanations without the presence of the remainder of the parties and their counsel.

(b) Where the court has decided to accept classified material as evidence, it will order the transmission of a summary of the non-disclosed evidence to the party claiming a right in the property or his counsel, to the extent it is possible to do so without endangering State security or its foreign relations.

(c) A hearing pursuant to this section shall be held with closed doors unless the Court has ordered otherwise regarding this matter.

Subchapter C: General Instructions Regarding Temporary Remedies

Ex parte Temporary Order

36. The Court may make an *ex parte* temporary order pursuant to this chapter, where it is satisfied that there are grounds for apprehension that there will be an immediate transaction in the property and that holding a hearing in the presence of the parties will frustrate the purpose of the order; the validity of a temporary order given *ex parte* shall not exceed ten days and the application shall be heard in the presence of all of the parties as soon as possible and within the period of time in which the order is valid;

the court may, on grounds that are to be recorded, extend the validity of an *ex parte* temporary order for additional periods, provided that the total period does not exceed thirty days from the day the order was granted.

Application of Provisions Regarding the Right of Argument and Restrictions on the Forfeiture of Property

37. (a) In a hearing on the application for grant of a temporary order pursuant to the provisions of this chapter, except for an application for an *ex parte* order pursuant to Section 36, the provisions of Sections 20, 23 and 25 shall apply.

(b) The provisions of Section 26 shall apply to any application for the grant of a temporary order pursuant to the provisions of this chapter.

Grant of Temporary Order to the Extent Necessary

38. Where the Court has decided to grant a temporary order pursuant to this chapter, it shall determine the class, scope, conditions and duration of the order, all to the extent not exceeding what is necessary to accomplish the objectives of the temporary order.

Compensation

39. Where the Court has made a temporary order pursuant to this chapter, it may instruct that a person injured by such order shall be paid compensation from the State Treasury.

Rehearing of Temporary Order

40. The Court may hold a rehearing regarding a temporary order it has granted, if it deems it justified in doing so due to changed circumstances or new facts that were discovered after the temporary order was granted.

Chapter Nine: Administrative Seizure of Terrorist Property Regarding a Terrorist Organization or an Act of Terrorism That Has no Connection to Israel

Administrative Seizure of Terrorist Property

41. (a) The Minister of Defense or an employee of the Ministry of Defense ranking as Head Department at the minimum, whom the Minister of Defense has authorized for this purpose (hereinafter – an authorized employee of the Ministry of Defense), may order the seizure of terrorist property as referred to in Section 22, if he is convinced that there are grounds for apprehension that an immediate transaction will be undertaken regarding the property that will inhibit its forfeiture or that its seizure is necessary in order to prevent an act of terrorism that has no connection to Israel.

(b) Where it has been proven to the satisfaction of the Minister of Defense that terrorist property for which there are grounds to seize it pursuant to subsection (a), is intermingled with other property and under the specific circumstances it is impossible to identify it or separate it, he may order the seizure of the other property as well.

(c) Notice of seizure pursuant to this section shall be transmitted to the one claiming a right in the property if it is possible to locate him using reasonable diligence under the circumstances.

Seizure of the Property

42. (a) Seizure pursuant to this chapter may be carried out by a policeman, a customs officer who has been authorized to do so by the Director of the Customs and VAT Office or another public employee who has been authorized to do so by the Prime Minister or the Minister of Defense and for this purpose the following powers will be granted to them:

- (1) To a policeman - the powers granted to him pursuant to the Arrest and Search Ordinance;
- (2) To a public employee – the powers granted to a policeman pursuant to the Arrest and Search Ordinance for the purpose of carrying out a seizure;
- (3) To a customs officer – the powers pursuant to Sections 174, 177, 184, and 185 of the Customs Ordinance¹¹ and in this regard property of the suspect shall be seen as property where the seizure provisions are applicable, as goods which are forbidden to import or export.

(b) Where the person who is carrying out the seizure pursuant to subsection (a) realizes, while carrying out the seizure, that the property that he is to seize is intermingled with other property and under the circumstances it is not possible to identify it or to separate it and furthermore, under the circumstances it is not possible to receive an order regarding the seizure of the additional property from the Minister of Defense pursuant to Section 41, he may seize the other property as well; a notice regarding the seizure pursuant to this subsection will be transmitted to the Minister of Defense within 72 hours from the time the seizure was carried out and the Minister may order that the seizure be cancelled in whole or in part.

Property That May Not Be Seized for the Purpose of Insuring a Means of Subsistence

43. (a) An order to seize property will not be issued and property will not be seized pursuant to this chapter, if it is considered movable property which cannot be attached pursuant to Section 22 of the Execution of Court Decisions Law.

(b) The Minister of Defense or an employee of the Ministry of Defense will not order the forfeiture of property pursuant to this chapter unless he has found that the owner of the property and his family members residing with him shall have reasonable means of subsistence.

Expiration of Administrative Seizure

44. Where property has been seized in an administrative seizure and a request for its forfeiture or for a temporary order regarding it pursuant to this law is not submitted within 21 days from the day of the seizure, the seizure will expire and the property will be returned.

Presumption Regarding Property of a Terrorist Organization

45. For the purposes of Chapters 8 and 9 - property of a declared terrorist organization pursuant to paragraph (1) of the definition of “a declared terrorist organization”, property that is used for the activities of or is intended to be used for the activities of such organization, or property that enables the activity, is property whose seizure, or the granting of a temporary order regarding it, is necessary in order to prevent an act of terrorism unless it is proven otherwise.

Prohibition on Delegation

46. The authority of the Minister of Defense pursuant to Sections 41(b) and 42(b) may not be delegated.

¹¹ Laws of the State of Israel, new version 3, p. 39.

Chapter Ten: Miscellaneous Provisions

Implementation and Regulations

47.(a) The Minister of Justice is charged with the implementation of this law and he may promulgate regulations for its implementation, including procedural rules with respect to a petition against decisions of the Ministerial Committee and the Advisory Committee regarding a request for a forfeiture order in a criminal or civil proceeding, procedures for the hearing of objections to forfeiture, requests for the granting of remedies to safeguard property, temporary remedies, re-hearings, appeal, as well as on the ways the forfeiture may be implemented, management of the assets and the giving of notices to persons claiming a right to the property; regulations regarding chapter Nine will be promulgated upon consultation with the Minister of Defense and the Minister of Public Security.

(b) The Minister of Justice will establish regulations that will include provisions regarding the following matters:

(1) (a) The details that shall be included in a declaration of the Ministerial Committee pursuant to Section 2;

(b) The manners and the timeframes for serving one who is the subject of a declaration and to one who has an obligation to file a report pursuant to the provisions of Section 7 of the Prohibition on Money Laundering Law;

(c) Publication of a central list of the declared terrorist organizations and of a person who has been declared to be a terrorist activist and updating of the list, and the ways in which it shall be published;

(2) Regulations pursuant to paragraph (1) will be promulgated with the agreement of the Prime Minister;

(3)(a) The manner and the time for filing an application to cancel a declaration issued by the Ministerial Committee, the deadline for making recommendations by the Advisory Committee and for giving decisions of the Ministerial Committee and the manner of carrying out the periodic review of a declaration of the Ministerial Committee.

(b) Procedural and evidentiary rules in a hearing on an application before the Advisory Committee, including as regards the manner of submitting evidence and examining witnesses, submission of classified evidence and transmission of a summary of the evidence to the applicant, and regarding representation of the applicant before the Advisory Committee.

Application of the Prohibition on Money Laundering Law

48. (a) The authorities granted to the Governor of the Bank of Israel and to the Minister to issue orders for the purpose of enforcing the Prohibition on Money Laundering Law as set forth in Section 7 of that law shall be granted to them for the purpose of enforcing this law as well.

(b) Reports that are received pursuant to this law by the Israel Prohibition on Money Laundering and Terrorist Financing Authority will be preserved in the database that has been established pursuant to Section 28 of the Prohibition on Money Laundering Law; the transfer of information that was received pursuant to this law or for the enforcement of this law, from the database, will be done according to the

provisions of the Prohibition on Money Laundering Law; the provisions of Section 31A of the Prohibition on Money Laundering Law, regarding a duty of confidentiality and a prohibition on disclosing information and use of it in a manner not in accordance with the provisions of the Prohibition on Money Laundering Law will apply to one who has received information pursuant to this law.

(c) A person responsible for carrying out obligations in a banking corporation and in any body specified in the Third Schedule of the Prohibition on Money Laundering Law, who was appointed pursuant to Section 8 of such law will act to carry out the obligations that will be imposed in orders pursuant to subsection (a), on said corporation or body, and to direct the employees to fulfill such obligations and to supervise their fulfillment.

(d) The supervisors who were appointed pursuant to Section 11N of the Prohibition on Money Laundering Law will also supervise the implementation of the orders pursuant to subsection (a), regarding the obligations of a banking corporation and any body that is among those enumerated in the Third Schedule of the said law, and for this purpose they shall be granted the authority pursuant to the said law and the provisions of Chapter 4B of such law shall apply.

(e) The provisions of Section 14 of the Prohibition on Money Laundering Law which provide for financial sanctions for a violation of the provisions of the said law will apply regarding the breach of provisions of orders pursuant to subsection (a) as well; the authority granted to the Financial Sanctions' Committee that was established pursuant to Section 13 of the Prohibition on Money Laundering Law will be granted to it also regarding one who violated provisions of said orders and for the purpose of financial sanctions the provisions of Chapter 5 of said law will apply.

(f) Where a financial sanction has been imposed pursuant to this section and it has been paid, no indictment shall be filed pertaining to the same act.

(g) For one act that constitutes a violation of the provisions of an order pursuant to subsection (a), no more than one financial sanction shall be imposed, even if the act also constitutes a violation of an order pursuant to the Prohibition on Money Laundering Law.

Preservation of Laws

49. The provisions of this law are in addition to the provisions of any law, including the Defense (Emergency) Regulations and the Prevention of Terrorism Ordinance, and do not derogate from them.

Amendment to the Prohibition on Money Laundering Law [No. 4]

50. In the Prohibition on Money Laundering Law, 5760-2000¹² -

(1) In Section 1, after the definition of “a member of the stock exchange” it will read:

““The Prohibition on Terrorist Financing Law” - The Prohibition on Terrorist Financing Law, 5765-2004;”;

(2) In Section 28 after “according to this law”, it will read, “and according to the Prohibition on Terrorist Financing Law”;

(3) In Section 29 -

¹² *Sefer Hahukim* (Code of Law) of 5760, p. 293; of 5764, p. 92.

(a) in subsection (a), instead of the words “with approval of the government”, it will read: “with approval of the government; the name of the competent authority will be the Prohibition on Money Laundering and Terrorist Financing Authority”;

(b) in subsection (b), at the end, it will read “and the Prohibition on Terrorist Financing law”;

(4) In Section 30 -

(a) in subsection (b), paragraph (1), after the words “for the purpose of implementing this law”, the words “and the Prohibition on Terrorist Financing Law” will be added;

(b) in subsection (c), after the words “activity of terrorist organizations”, the words “and declared terrorist organizations, of acts of terrorism and of financing such organizations or acts” will be added;

(c) in subsection (e), after the words “pursuant to this law”, the words “and pursuant to the Prohibition on Terrorist Financing Law” will be added and after the words “or the war on terrorist organizations” the words “on declared terrorist organizations and on acts of terrorism” will be added;

(d) in subsection (f), after the words “for the implementation of this law” the words “and the Prohibition on Terrorist Financing Law” will be added and after the words “in an offence as set forth in section 2” the words “or for terrorist property”;

(e) in subsection (g), after the words “implementation of this law” the words “and the Prohibition on Terrorist Financing Law” will be added and in place of the words “or for the purpose of the war on terrorist organizations” it will read “or for the purpose of the war on terrorist organizations, on declared terrorist organizations and on acts of terrorism”;

(f) in subsection (h), after the words “of this law” the words “or the Prohibition on Terrorist Financing Law” will be added;

(g) after subsection (i) a new subsection will be added as follows:

“(j) In this section, “a terrorist organization”, “a declared terrorist organization”, “an act of terrorism”, and “terrorist property” – as they are defined in the Prohibition on Terrorist Financing Law”;

(5) In Section 31(a), after the words “this law” the words “and of the Prohibition on Terrorist Financing Law”;

(6) In Section 31B(a)(1), after the words “pursuant to chapter three” the words “and according to the orders that were issued pursuant to Section 48(a) of the Prohibition on Terrorist Financing Law” will be added;

(7) In the first schedule, in item (18), after “1945” the words “pursuant to Sections 8 and 9 of the Prohibition on Terrorist Financing Law” will be added.

Amendment to the Criminal Procedures (Powers of Enforcement – Arrests) Law [No. 6]

51. In the Criminal Procedures (Powers of Enforcement – Arrests) Law, 5756-1996¹³, in Section 35(b) -

(1) in paragraph (4), in place of “(1) through (4)” it will read “(1) through (5)”;

¹³ *Sefer Hahukim* (Code of Laws) of 5756, p. 338; of 5764, p. 24.

(2) after paragraph (4) a new paragraph will be added as follows:

“(5) Section 8 of the Prohibition on Terrorist Financing Law, 5765-2004.”

Amendment to the Crime Register and Rehabilitation of Offenders Law [No. 6]

52. In the Crime Register and Rehabilitation of Offenders Law, 5741-1981¹⁴, in Section 17, in paragraph (4), at the end of the paragraph the following will be added:

“(i) Section 8 of the Prohibition on Terrorist Financing Law, 5765- 2004”.

Amendment to the International Legal Assistance Law [No. 3]

53. In the International Legal Assistance Law, 5758-1998¹⁵, in the second schedule -

(1) After Item C beginning with the words “offences pursuant to Sections 2, 3 and 4” will be added:

“C1. Offences pursuant to Sections 8 and 9 of the Prohibition on Terrorist Financing Law, 5765-2004.”

(2) Item C beginning with the words “these offences pursuant to the Penal Law”, will become item “C2”, and in the beginning of that item, instead of the words “for terrorist activity” it will read “for an act of terrorism as defined in the Prohibition on Terrorist Financing Law, 5765-2004 (in this schedule - an act of terrorism)”;

(3) In Item F instead of the words “for terrorist activity” it will read “for an act of terrorism”;

(4) In Item I, instead of the words “for terrorist activity” it will read “for an act of terrorism”.

Effective Date

54. This law shall take effect on the first of the month following the conclusion of 6 months from the day the Law is published.

¹⁴ *Sefer Hahukim* (Code of Laws) of 5741, p. 332; 5764, p. 483.

¹⁵ *Sefer Hahukim* (Code of Laws) of 5758, p. 356; 5763, p. 508.

Extracts from Postal Law

CHAPTER F1: PROVISION OF THE FINANCIAL SERVICES BY THE COMPANY

88G1. Preserving of documents

(a) The Company shall preserve any document used for the provision of the Financial Services, including a document used for the transfer, receipt or withdrawal of monies, for at least seven years from the date of the provision of the Financial Services, in accordance with instructions that the Supervisor shall give on this matter.

(b) Notwithstanding the provisions of subsection (a), the Company shall preserve any document related to the opening and closing of an account, for at least seven years from the date of the closing thereof.

88J. Regulations and implementation

(a) The Minister, with the consent of the Minister of Finance and, in the case of paragraphs (1) and (2), with the approval of the Committee, may make regulations on all matters concerning the implementation of this Chapter, including regulations on –

(1) payments for the Financial Services;

(2) the imposition of an insuring obligation, for the covering of any damage that may be caused as a result of the activity of the Company in providing the Financial Services;

(3) the Financial Services, including in relation to the activity of the Company and of the Subsidiary under this Chapter and the supervision and control thereof;

(4) the qualifications required of officers in the Subsidiary.

(b) (Repealed).

Title D: Supervision and inspection

88M. Appointment of the Supervisor for Financial Services

The Minister shall appoint a Supervisor of Financial Services, who shall be responsible for supervision and inspection concerning the activities of the Company and the Subsidiary concerning the Financial Services, including supervision of the implementation of the provision under this Law and under the General License that was granted to the Company; the said supervisor shall be appointed from among the employees of the Ministry of Communications, provided that the conditions set out in section 88P hold true for him.

88N. Proper Conduct Directives

(a) The Minister may, for the purpose of fulfilling his function, issue directives to the Subsidiary and the Company concerning their operating and management methods pertaining to the provision of the Financial Services, including the operating and management methods of the officers therein and of any person employed thereby or acting on behalf thereof including a postal agent, all in order to ensure the proper operation and management of the Company and the Subsidiary, with respect to matters concerning the Financial Services, and the safeguarding of the interests of the Customers and in order to prevent an impairment to the ability of the Company and of the Subsidiary to meet their liabilities (in this Title – Proper Conduct Directives).

(b) Proper Conduct Directives may also be given with respect to the following matters:

(1) maintaining ratios between the items or classes of items included in subparagraphs (a) through (c) and items or classes of items included in subparagraph (d):

(a) liabilities of the Subsidiary;

(b) deposits made with the Subsidiary;

(c) paid up share capital, capital reserves and revenue reserves, including the balance of undistributed net profits;

(d) assets of the Subsidiary, including debts due thereto;

(2) the minimum equity required of the Company as a condition for the provision of some or all of the Financial Services; Proper Conduct Directives under this paragraph shall be issued in consultation with the Accountant General in the Ministry of Finance.

(c) Proper Conduct Directives need not be gazetted in *Reshumot*; however, the Supervisor shall gazette in *Reshumot* a notice about the issue of said Directives and the day on which they are to go into effect.

(d) Proper Conduct Directives and any amendment thereto shall be made available for the perusal of the public at the offices of the Supervisor and shall be posted to the web site of the Ministry of Communications and on the Company's web site.

88P. Empowerment of inspectors

(a) The Minister may empower inspectors, from among the employees of his ministry, for the purpose of exercising the powers under section 88Q; the exercising of the said powers by the inspectors shall be in accordance with the instructions of the Supervisor.

(b) No inspector shall be empowered under the provisions of subsection (a) unless all of the following hold true for him:

(1) he has not been convicted of an offense that because of its nature, severity or circumstances renders him, in the opinion of the Minister, unfit to serve as an inspector, and no indictment was brought against him for a said offense;

(2) he has been given suitable training in the sphere of powers that will be vested in him under section 88Q, as prescribed by the Minister with the consent of the Minister of Internal Security.

(3) he meets additional qualification conditions, such as prescribed by the Minister with the consent of the Minister of Public Security.

88Q. Powers of inspection

For the purpose of the supervision and inspection of the activities of the Company and the Subsidiary concerning the Financial Services, the Supervisor and an inspector may-

(1) Enter any place in which the Subsidiary, the Company or a postal agent conduct their business, provided that he shall not enter a place used for residential purposes, unless it is under a court order;

(2) demand of the Subsidiary, any officer therein, any person employed thereby and any other person acting on behalf of the Subsidiary, including the Company, the Company's auditor and the Subsidiary's auditor and a postal agent, any information or Document required, in his opinion, for supervising and inspecting the activities of the Company and the Subsidiary concerning the Financial Services, all of which within the period stated in the demand and in the manner prescribed therein; for this purpose, "Document" - including a computer printout, as defined in the Computers Law 5755-1995;

88V. Secrecy

(a) The Supervisor, an inspector and any other person acting on behalf of the Supervisor shall not disclose information or show a document that has reached him by virtue of his function or powers under this Chapter, unless it is for the purpose of carrying out provision under this Law or under a court order or, if the information or the document only concern the affairs of the Company or of the Subsidiary – the Company or the Subsidiary, as the case may be, has granted its consent thereto.

(b) Notwithstanding the provisions of subsection (a), the Supervisor may disclose information or show a document to the Governor as defined in the Bank of Israel Law, 5770-2010, provided that he concludes that the information or the document is requested for the fulfillment of the roles of the Bank of Israel.

(c) If a person discloses information or a document that reached him by virtue of his function or powers, in violation of the provisions of this section, then he shall be liable to the fine stated in section 61(a)(3) of the Penal Law.

CHAPTER G1: MONETARY SANCTIONS

109A. Definitions

"License" – including a General Permit under this Law;

"Linkage Differentials and Interest" - within their meaning in the Adjudication of Interest and Linkage Law, 5721-1961;

"the Director" – the Director General of the Ministry of Communications.

109B. Monetary sanction imposed on a Licensee

(a) If the Director has reasonable grounds to assume that a Licensee has committed one of the following, then he may impose on it a monetary sanction under the provisions of this Chapter, of the amount prescribed in section 61(a)(2) of the Penal Law:

- (1) it violated a directive issued as said in section 1E(b), intended to prevent impairment to the provision of the Postal Services in a proper and regular manner or significant impairment to competition in the field of Postal Services;
- (2) it made a service conditional upon the purchase or receipt of another service provided by it or by another person or upon not receiving a service from another Licensee, all in violation of the provision of section 1G or of one of the conditions of an approval granted thereunder;
- (3) it did not provide to another Licensee a service that is based on its infrastructure in accordance with a determination or directive under section 5B(a);
- (4) it did not provide to the public a Postal Service that was determined to be a Basic Postal Service, in violation of the provisions of section 5C, or deviated from standards of quality or service set under the said section;
- (5) it violated one of the terms of its License or did not carry out a directive issued by the Minister or the Director under a said term within the period of time set in the directive.

(b) If the Director has reasonable grounds to assume that a Licensee has committed one of the following, then he may impose on it a monetary sanction of the amount prescribed in section 61(a)(1) of the Penal Law:

- (1) it did not provide information within the period set therefor or in the manner prescribed in the directive of the Minister under section 1F;
- (2) it did not mark a Postal Article transmitted by it or by a Post Office thereof, in violation of the provisions of section 52(b).

Extracts from the Securities Law, 5728-1968

13. Confidentiality

Deliberations of the ISA or material submitted to it or to its members by virtue of their membership may not be disclosed save with the consent of the ISA or the Chairman, or as provided by section 44; nothing in this provision shall be construed as preventing disclosure upon the Attorney-General's demand for purposes of a criminal trial, or upon a Court request.

Chapter 3:

Prospectus and Permit for Publication

15. Offer of sale to the public

(a) No person shall offer [securities] to the public other than according to a prospectus, the publication of which has been authorized by the ISA, or according to a draft prospectus that was authorized and signed according to provisions of section 22 and submitted to the ISA.

(b) No person may sell securities to the public other than according to a prospectus, the publication of which has been authorized by the ISA.

15A. Acts not deemed offers to the public.

(a) Each of the following will not be deemed an offer or a sale to the public:

(1) An offer to a number of investors not exceeding the number prescribed in regulations, provided that the number of investors to whom the offeror will sell the offered securities, combined with the number of investors to whom the offeror has sold securities during the twelve months preceding the said offer, does not exceed the prescribed number; for this purpose, investors who purchased shares and securities that are convertible into or which may be realized as shares, and investors who purchased other securities, shall be counted separately;

(2) An allotment of bonus shares that do not afford a choice to those entitled to receive them; for this purpose, —bonus shares shall mean shares allocated by the company, for no consideration, to all its security holders entitled to receive the bonus shares, according to their proportionate holdings on a date proclaimed by the company, provided that the said date is later than the date of the notice of the resolution to allocate the bonus shares;

(3) An allotment or transfer of securities to all or some of the corporation's security holders pursuant to a judgment or court decree granted in a class action as defined in the Companies Law, or any allotment or transfer pursuant to a decision in a proceeding under sections 350 or 351 of the Companies Law, provided that the ISA was given an opportunity to appear in the proceeding and state its view with regard to the necessity of publishing a prospectus in order to secure the interests of the intended offerees;

(4) An announcement of intent to sell securities:

(a) To a number of offerees not exceeding the number prescribed in regulations enacted with regard to sub-paragraph (1), and who shall be selected in a procedure determined by the person issuing the announcement;

(b) To investors described in paragraph (7);

(5) Negotiations between an offeror and a party who is considering assuming an underwriting commitment, providing the aforesaid party is qualified according to the provisions stipulated in section 56(c);

(6) The provision of explanations at the meeting of a corporation's employees or at the meeting of employees of a corporation which controls or is controlled by the said corporation, regarding the offer of securities to such employees, as long as no information is provided regarding a reporting corporation if such information has not, as of the date of the meeting, been published in a prospectus issued by the corporation or in a report filed pursuant to Chapter Six; minutes shall be taken at the aforesaid meeting and made available to the employees;

(7) An offer or sale to investors who are among those specified in subsection (b).

(b) For purposes of subsection (a), the following shall not be considered as investors:

(1) An investor of the type listed in the First Schedule; the Minister of Finance may, after consultation with the ISA and with the approval of the Knesset Finance Committee, add or detract from the First Schedule;

(2) An investor incorporated outside of Israel and which, in the opinion of the ISA, is capable of obtaining the information which it requires in order to make a decision to invest in the securities and which would have appeared in a prospectus, had a prospectus been published;

(3) A controlling shareholder, a general manager or a director of the corporation whose securities are being offered, or of a corporation under the control of the aforesaid corporation.

15B. Restrictions on the application of Section 15

Section 15 shall not apply to any of the following:

(1) (a) An offer of securities issued by a reporting corporation to its employees, including to the employees of a corporation controlled by it, which is carried out within the framework of the employee benefit plan, by way of a descriptive outline which contains particulars of the offer and of the offered securities as shall be provided in the regulations as well as a reference to the last periodic report, to interim financial reports and to subsequently submitted immediate reports, all in accordance with provisions of Chapter Six; regulations applicable to the aforesaid document shall be the same as the ones applicable to reports according to section 36; regulations enacted pursuant to this section shall also contain provisions regarding the details, form and structure according to which the aforesaid document shall be delivered to the employees.

(b) The offer by the State of the securities – issued by the State – of a reporting corporation, including securities that are convertible into or which may be realized as the securities of such corporation, to the employees of the aforesaid corporation (including the employees of a corporation under control of the aforesaid corporation), in the course of a privatization which is carried out by way of a descriptive outline such as is prescribed in sub-section (a), and not pursuant to a prospectus.

(2) (a) An offer of securities issued by corporation which is not a reporting corporation, and whose securities are not listed for trade outside Israel, to its employees including the employees of a corporation under control of the aforesaid corporation, within the framework of an employee benefit plan, providing the consideration received for the offer and the percentage of the corporation's issued and paid-up capital which shall be allotted to the employees by means of the aforesaid offer, along with the consideration received and the allotment made in the same framework during the preceding year do not exceed the consideration and percentage prescribed in the regulations; the corporation shall deliver a copy of the plan to each employee entitled to the offered securities;

(b) The offer by the State of the securities – issued by the State – of a non-reporting corporation, including of securities that are convertible into or which may be realized as the securities of [such]

corporation, to the employees of the aforesaid corporation (including the employees of a corporation under control of the said corporation), in the course of a privatization which is carried out by way of a descriptive outline such as is stipulated in sub-section (a), and not pursuant to a prospectus.

(3) An offer made during the course of trading on the stock exchange whereon the securities are traded;

(3a) An offer in the course of trading on a trading platform as defined in section 44L, of securities listed for trading on the stock exchange.

(4) An offer of securities issued by a non-reporting corporation to a number of investors, even if such number exceeds the number stipulated in regulations enacted pursuant to section 15A(a)(1), including a joint offer made by the corporation and a shareholder, providing the consideration received and the percentage of the issued and paid-up capital of the allotment do not exceed the maximum consideration and percentage for a single offering [of this kind] as prescribed by the regulations, and providing the two of the following conditions are met:

(a) The percentage of the corporation's capital which is allotted under the aforesaid offer, in combination with the capital that the corporation allotted in prior offers made not according to a prospectus, does not exceed the percentage of the corporation's capital prescribed in the regulations;

(b) The number of investors in the aforesaid offer, together with the number of investors to whom the corporation had previously sold securities not according to a prospectus, does not exceed the number stipulated in the regulations;

(5) A listing of securities for trade on a stock exchange as a result of:

(a) A public offering of securities made according to a prospectus;

(b) A private placement of a listed company, within the meaning thereof under section 46(a)(4);

(c) An offering of securities that are of the same class as those listed for trade on a stock exchange, which offering is directed at the public outside of Israel, including the listing of the aforesaid securities for trade on an exchange outside of Israel;

(d) Realization or conversion of securities into other securities that were offered in accordance with sub-sections (a) or (b);

(e) Allotment of securities which come under the provisions of section (1) of this section, or under the provisions of sections (a) (2) and (3) of section 15A.

In this section:

"Consideration" - including consideration for realization or conversion of realizable or convertible securities;

"Privatization" - offer of securities by the State for the purpose of implementing a privatization decision according to Chapter 8A of the Government Companies Law – 1975, or a Government resolution according to section 8(b) of the aforesaid Law, or an offer as aforesaid in the course of a sale pursuant to Chapter 7 of the Bank Shares Arrangement Law (Temporary Provisions) – 1993.

"Offer" - including a sale.

15C. Restrictions on resale of securities

(a) Notwithstanding the provisions of section 15B (3), the following shall be regarded as offerings to the public:

(1) An offering in the course of trading on a stock exchange of securities which are listed for trading thereon, and which were allotted to the offeror by an issuer in an offer under section 15A(a)(1), (4) or (7), or in an offering made abroad not by way of a prospectus - if the period prescribed in the regulations from the date of the allotment has not elapsed, or if additional periods as prescribed in regulations have not yet elapsed and one of the following has occurred during each of the additional periods:

(a) The quantity of the offered securities exceeds the quantity prescribed in the regulations;

(b) The percentage of the issued and paid-up capital which is being offered by the corporation whose securities are being offered exceeds the percentage prescribed in the regulations;

The provisions of this paragraph shall also apply to securities purchased during the said period or additional periods, other than in accordance with a prospectus and not during the course of trading on a stock exchange, from the offeror or from a corporation under the control of the corporation whose shares are being offered. These provisions shall also apply to securities resulting from the realization or conversion of securities that were allotted as stated in this section;

(2) An offering in the course of trading on a stock exchange of securities which are listed for trading thereon, and which were allotted, other than pursuant to a prospectus, to a corporation under the control of the corporation whose securities are being offered, if the period beginning on the date of the allotment to the said corporation and which is prescribed in the regulations has not yet elapsed;

(b) The provisions of paragraph (a) shall not apply to an offer made, during the course of trading on a stock exchange, by the State or by a person who has purchased securities offered by the State in the course of a privatization within the meaning of section 15B.

15F. Regulations

The Minister of Finance, with the approval of the Knesset Finance Committee, shall enact regulations in accordance with sections 15A through 15C; regulations enacted pursuant to this section shall be made in accordance with ISA proposals or after consultation with the ISA.

17. Regulations concerning items in a draft prospectus and in a prospectus

(a) The Minister of Finance shall, upon an ISA proposal, or after consultation with the ISA, and with the approval of the Knesset Finance Committee, enact regulations with regard the items to be included in a draft prospectus and in a prospectus, and regarding their structure and form.

(b) Regulations under this section may relate, *inter alia*, to the following matters:

(1) Financial statements of the issuer, its subsidiaries and associated companies, the amount of detail to be included therein and the accounting principles to be used in preparing them;

(2) Subjects and items to which an accountant shall relate in his opinion on the financial statements described in section (1), and the form of the opinion;

(3) An opinion of an attorney on matters concerning the issue and offer of the securities, including the authority of the issuer and the offeror to issue and offer them in the form in which they are being offered, and also any other legal matter, all of which as prescribed in regulations;

- (4) A confirmation by an attorney that all the permits required by law for offering the securities to the public have been obtained;
 - (5) Particulars of a principal shareholder in the issuer and a description of such principal shareholder's affiliation with the issuer.
 - (6) The price of the offered securities; for this purpose the term "the price" – shall also refer to a price range.
- (c) A principal shareholder must transmit to the issuer the particulars required by the issuer in order to fulfill its obligations under the regulations enacted pursuant to sub-section (b)(5).
- (d) The Minister of Finance may enact regulations under this section either in general or for classes of securities, of issuers, of offerors or of offers to the public, or according to any other classification.
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20. ISA requirements regarding matters to be included in prospectuses

(a) The ISA may require the offeror to include the following matters in the prospectus if it is of the opinion that, under the circumstances of the case, such matters are important to a reasonable investor contemplating the purchase of the offered securities:

- (1) Any particular which is in addition to those presented in the draft prospectus, or additional specification beyond that required in regulations enacted pursuant to section 17;
- (2) Any item which is required by regulations enacted pursuant to section 17 in regard to an issuer – with regard to its subsidiary or associated company;
- (3) An attorney's opinion regarding a specific particular in addition to the items required pursuant to section 17(b)(3);
- (4) An opinion by an expert regarding a revaluation or any other matter contained in the draft prospectus or the financial reports included therein.
- (5) Other reports and opinions in addition to those contained in the draft prospectus.
- (6) After having granted the offeror an opportunity to be heard – the ISA may require financial statements, [and] an opinion or review by the accountant who audited or reviewed the same or of another accountant in lieu of the same documents that were included the draft prospectus, if, in the opinion of the ISA, those [included in the draft prospectus] are not in conformity with generally accepted accounting principles and with generally accepted reporting standards, or do not properly depict the state of affairs of the business of the issuer.

(b) The ISA may demand of the offeror that a specific item in the draft prospectus be given special prominence in the prospectus in such form as the ISA may direct.

20A. Examination procedures

(a) Procedures pertaining to the examination of draft prospectuses shall be prescribed by the ISA with the approval of the Minister of Finance and shall be published in *Reshumot*; the said examination procedures may be prescribed according to types of securities, issuers, offerors or offers to the public, or according to any other classification.

(b) Notice of the examination procedures described in subsection (a), as approved by the Minister of Finance, shall be conveyed to the Knesset Finance Committee by the ISA, and shall be published in *Reshumot* within 14 days of the said notice, provided that a request for cancellation of such has not been received by a member of the said committee; if a request for cancellation is so received, the committee

will resolve the issue, and the examination procedure shall be published in *Reshumot* 30 days following the said request, if the procedure is not canceled by the committee.

21. Permit for the publication of a prospectus

(a) The ISA shall grant a permit for the publication of a prospectus if it is satisfied that the draft prospectus is in compliance with the provisions of this Law and with the ISA's requirements pursuant thereto, and that all other permits as required by law have been obtained prior to its publication; the ISA may satisfy itself by applying the examination procedure it deems appropriate from amongst the procedures established by virtue of section 20A.

(b) The permit shall not constitute a verification of the items contained in the prospectus or a certificate of credibility or completeness of said items or an expression of opinion as to the quality of the securities offered.

(c) The contents of subsection (b) shall be stated in the prospectus.

22. Approval and signature of the draft prospectus and prospectus

(a) The draft prospectus which is first submitted to the ISA, and the draft prospectus pursuant to which the securities will be offered to the public shall be approved by the issuer's board of directors and signed by the issuer. If the securities are not being offered by the issuer, the said drafts will also be signed by the offeror, and the text of the prospectus according to which the securities will be offered to the public must be signed by at least one of the underwriters intended to serve as a pricing underwriter for the offer.

(b) The prospectus shall be signed by the issuer and a majority of the members of the board of directors, at least one of whom shall be a public director, and in the case of an initial public offering of securities to the public - by at least one director who is not a principal shareholder other than by virtue of being a director; a director shall sign personally or through a person authorized in writing by the director to sign the prospectus on his behalf; in this section, the term —public director‖ - shall have the same meaning in article 2 of Chapter 4 of the Companies Ordinance [New Version], 1983.

(c) If there is an underwriter for the offer, the prospectus will be signed by the underwriter as well.

(d) If the securities are not being offered by the issuer, the prospectus will be signed by the offeror as well.

(d1) A supplemental notice will be signed by the issuer; if the securities are not being offered by the issuer, the supplemental notice will also be signed by the offeror. If there is an underwriter for the offer, the supplemental notice will be signed by the underwriter as well; upon the underwriter having signed the supplemental notice, the underwriter will be deemed for all matters and purposes as having signed the prospectus, and in signing, the underwriter will confirm that it is aware of this rule.

(e) In the event that a director is opposed to the publication of the prospectus or has refused to sign the same, and has brought the matter to the knowledge of the ISA by written notice stating his reasons for the same, the ISA may delay the publication of the prospectus if it is of the opinion that there exists a claim that in all probability would cause court intervention had the matter been brought before it; the delay shall be for ten days commencing on the date of the decision of the ISA, unless otherwise ordered by the court.

(f) Notice of any action commenced by virtue of subsection (e) shall be delivered to the ISA, and the ISA may be present and be heard in any such action.

Chapter 6:

Ongoing Reporting

36. Reporting duty of corporations

(a) A corporation whose securities have been offered to the public pursuant to a prospectus is required to submit reports or notices to the ISA pursuant to this Chapter for as long as its securities are held by the public; a corporation whose securities are traded on a stock exchange or listed for trade thereon is required to submit reports or notices pursuant to this Chapter to the ISA and to the stock exchange.

(a1) Repealed

(b) The Minister of Finance shall, according to an ISA proposal or after consultation with the ISA, and with the approval of the Knesset Finance Committee, enact regulations with regard to the items to be included in the said reports or notices, their form, the dates for their preparation and for their submission, including information which is presented on the basis of being to the best of the knowledge of the corporation's directors, that must be included in the said reports or notices .

(c) Regulations enacted pursuant to this section shall relate to every matter which, in the opinion of the Minister of Finance, is of importance to a reasonable investor considering the purchase or sale of the securities of the corporation, and may relate to any of the matters specified in section 17(b), and shall require, in addition to a periodic report, an immediate report regarding specific occurrences.

(d) The Minister of Finance may enact regulations under this section either generally or for specific types of corporations or of securities or according to any other classification.

(e) A corporation, as aforesaid in subsection (a), shall submit to the ISA, upon special demand of the ISA or of an employee authorized for this purpose, and within the period stated in the demand, such period being no less than the period prescribed in regulations under subsection (b), an immediate report on any event or matter if, in their opinion, information regarding the same is of importance to a reasonable investor considering the purchase or sale of securities of the company;

(f) A corporation as described in subsection (a) shall, upon the request of the ISA or of any employee authorized for this purpose -

(1) Submit to the ISA in writing, within the period prescribed in the request, any explanation, detail, information or document with respect to any item included in a report or notice submitted pursuant to this Chapter;

(2) Submit to the ISA an amendment to any report or notice submitted pursuant to this Chapter, within the period prescribed in the request, if they have become aware that such report or notice was not submitted in accordance with the provisions of this section, or if the items submitted by virtue of section (1) require such amendment;

(g) The ISA may, after having first given the corporation an opportunity to be heard, order the corporation described in subsection (a) to submit, within a specified period -

(1) A report which includes an opinion in addition to an opinion originally included in such report, if the ISA is of the opinion that the original report was not submitted in accordance with the provisions of this section, or if the items submitted in accordance with subsection (f) require such an order;

(2) Financial reports, an accountant's opinion or a review by an accountant who audited or reviewed the same or by another auditor, to replace those included in the original report submitted to the ISA, if the ISA has become aware that those were not prepared in accordance with generally accepted accounting principles and generally accepted reporting standards and do not adequately reflect the state of affairs of the corporation in accordance with the principles and standards as aforesaid.

(h) If the ISA or an employee authorized for this purpose is convinced that a corporation is unable to submit a report or notice pursuant to this Chapter within the time prescribed by regulations, the time for such submission may be extended.

36A. Authority to prescribe the manner of presentation of items

(a) If the ISA is of the opinion that such action is necessary for purposes of protecting the interests of the public investing in the securities of a particular corporation, the ISA may instruct the corporation as to the manner in which an item shall be presented in the financial statements, in a periodic report or in an immediate report, provided that the regulations enacted pursuant to sections 17 or 36, the generally accepted accounting principles or the generally accepted reporting standards do not already prescribe the manner in which such item is to be presented.

(b) If the ISA is of the opinion that such action is necessary for purposes of protecting the interests of the public investing in the securities the ISA may issue directives regarding the manner of presentation of items in statements and reports described in subsection (a); such directives shall be published in a manner determined by the Chairman of the ISA.

(c) Directives issued pursuant to subsection (b) shall be in effect for a period of one year commencing from the date of their publication, unless provisions regarding the same matter are included in regulations enacted pursuant to sections 17 or 36 or in the generally accepted accounting principles or the generally accepted reporting standards prior to that time; the ISA may, with the approval of the Minister of Finance, extend the duration of the aforesaid directives for a period not exceeding one year.

(d) If the ISA issues an order pursuant to subsection (a) to more than one corporation, the order shall be issued as a directive under subsection (b) within sixty days.

(e) Before issuing directives as aforesaid in subsection (b) and before extending the force of the same pursuant to subsection (c), the ISA shall allow the President of the Israel Institute of Certified Public Accountants an appropriate opportunity to be heard, and while the said directives are in effect, the Israel Institute of Certified Public Accountants may publish an opinion with regard to the same only with the consent of the ISA.

44D Implementation and regulations

(a) The Minister of Finance shall enact, according to an ISA proposal or after consultation with the ISA and with the approval of the Knesset Finance Committee, regulations concerning:

- (1) Procedures for electronic reporting and for signatures for the purpose of the electronic reporting;
- (2) Individuals holding office in a corporation or providing services to a corporation or other individuals, who may act as authorized persons for the purpose of electronic reporting and authorized signatories for the purpose of the said reporting (in this law - authorized electronic signatory);
- (3) The duties of an authorized electronic signatory with regard to reporting under the provisions of this article;
- (4) Preservation of documents at the corporation's offices;
- (5) Fees that are payable to the ISA, including exemptions from such fees, with regard to the inspection, reproduction and distribution of reports and data reported to it electronically.

(b) Without detracting from the provisions of the Electronic Signature Law, the Minister of Justice and the Minister of Finance may jointly, if it appears to them necessary in order to protect the interests of the public investing in securities, enact regulations, according to an ISA proposal or after consultation with

the ISA and with the approval of the Knesset Scientific and Technological Research and Development Committee, concerning:

- (1) Provisions regarding what is required of a certification authority which are in addition to those in the Electronic Signature Law, to enable a certification authority to serve as such for the purpose of electronic reporting under the provisions of this Law (hereinafter in this Law — signature certifier);
- (2) The duties of a signature certifier, in addition to those imposed pursuant to the Electronic Signature Law;
- (3) The minimum requirements for the hardware and software systems of a signature certifier, in addition to those established in the Electronic Signature Law.

44E Authority of the ISA

(a) The ISA may establish rules concerning:

- (1) Registration procedures for the purpose of electronic reporting to the ISA;
- (2) The manner of electronic reporting;
- (3) The minimum requirements of the hardware and software systems used for electronic reporting;
- (4) The software through which electronic reporting shall be carried out;
- (5) The structure and format of forms to be used for the purpose of electronic reporting;
- (6) Provisions relating to the inspection, production and distribution of reports and data that have been reported electronically to the ISA.

(b) Rules established pursuant to sub-section (a) need not be published in *Reshumot*, but the ISA will publish a notice in *Reshumot* regarding the establishment of such rules, and regarding the date for their entry into effect.

(c) Any rules established pursuant to sub-section (a) and any amendments thereof will be made available for public review at the office of the ISA and will be published on the ISA's website, and the ISA may order additional methods for their publication.

44K ISA rules regarding secure electronic mail

(a) The ISA will establish rules regarding

- (1) Registration procedures for obtaining approval for access to a secure electronic mail system;
- (2) The manner in which a secure electronic mailbox can be created and the manner in which the mailbox may be accessed for the purpose of receiving a confirmed electronic message sent by the ISA;
- (3) The minimal requirements for the hardware and software systems used for access to a secure electronic mail system.

(b) The ISA may establish rules regarding the requirement of an electronic signature in a secure electronic mail system.

(c) The rules established pursuant to sub-sections (a) and (b) need not be published in *Reshumot*, but the ISA will publish a notice in *Reshumot* regarding the establishment of such rules, and regarding the date for their entry into effect.

(d) Any rules established pursuant to sub-section (a) and (b) and any amendments thereof will be made available for public review at the office of the ISA and will be published on the IAA's website, and the ISA may order additional methods for their publication.

44M License to manage a trading platform

(a) No person may manage a trading platform without having received a platform license, and the trading platform must be managed in accordance with the terms of the license.

(b) The ISA will grant a platform license to a company regarding which the following conditions are met:

(1) Its business is managed and controlled in Israel, and if not, the company is able to comply with all the provisions of this Law, and such provisions can be enforced with respect to such company;

(2) The company's sole purpose is the management of the trading platform;

(3) The company has enacted a set of by-laws as described in section 44R;

(4) The company has the technical skills and the proper resources for operating a trading platform in a manner that will ensure the floor's stability, reliability, and availability, and the security of the information contained in it;

(5) The company complies with additional requirements established by the Minister of Finance, at the ISA's recommendation or in consultation with it and with the approval of the Knesset Finance Committee, regarding the matters listed below, and the Minister may establish different requirements, according to the type of license or the scope or nature of activity carried out pursuant to it;

(a) Shareholders' equity, liquid assets and a deposit;

(b) Insurance;

(6) The company has filed reports and documents with the ISA as established by the Minister of Finance, at the ISA's recommendation or in consultation with it and with the approval of the Knesset Finance Committee; reports filed pursuant to this paragraph will be published upon the grant of the license, in the manner directed by the ISA.

(c) Notwithstanding the provisions of sub-section (b), the ISA may, for reasons relating to the company's reliability, the reliability of a senior corporate officer or that of a controlling shareholder, refuse to grant a platform license to a company regarding which the conditions listed in that sub-section are fulfilled, provided that the company is given the opportunity to state its case regarding the matter.

(d) The ISA may establish, as part of the platform license, types of financial instruments that may be traded on the platform, and it may limit the license with respect to the types of activity that a company with a platform license may carry out or regarding the types of customers who will be allowed to trade on the platform.

44N Duty to comply with the license requirements

Chapter 7-C (sections 44L through 44DD) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.

A company with a platform license will be, at all times, in compliance with the conditions established in section 44M(b)(1), (4) and (5).

44O Prohibition on offering to trade on an unlicensed trading platform

No offer may be made to trade on a trading platform that is not managed by a company with a platform license, or by a party which is permitted to manage a trading platform without a license pursuant to the provisions of section 44DD.

44P Prohibition on additional occupations

(a) A company holding a platform license may not engage in any other occupation other than the management of the trading platform.

(b) A company holding a platform license may not extend credit to its customers.

44Q Proper and fair conduct

(a) A company holding a platform license will conduct the trading platform in a proper and fair manner.

(b) A company holding a platform license and a party providing services on its behalf, including marketing services with respect to the trading platform (in this section – a service provider), may not include any misleading item in its reporting, its publications or in any other information which it provides.

(c) A company holding a platform license must supervise and take all reasonable measures to prevent a violation of the provisions of sub-section (b) by a service provider; if a service provider violates such a provision, it will be presumed that the company breached its duty pursuant to this sub-section, and it will be treated as if it had committed the violation itself unless it can prove that it has taken all reasonable measures in order to fulfill the said duty.

44R Provisions in company by-laws regarding the conduct of the trading platform

(a) A company holding a platform license shall establish provisions in its by-laws, which shall be approved by the ISA, regarding the proper and fair conduct of the trading platform, including provisions which ensure its compliance with the requirements contained in the provisions of this Law.

(b) Any modification of the provisions in the by-laws described in sub-section (a) shall require ISA approval, but the ISA may direct that with respect to specific subjects, its approval will not be required for such an amendment.

(c) If the ISA believes that after a company holding a platform license has been given an opportunity to state its case regarding the matter, it is necessary - in order to ensure the proper and fair conduct of the trading platform - to add additional provisions to its by-laws in accordance with sub-section (a), or that it is necessary to amend such provisions, the ISA will instruct the company regarding such, and the company will act accordingly, within 30 days from the date on which it receives such instruction.

(d) By-laws provisions such as are described in sub-section (a), and any amendment thereof, shall be published in the manner directed by the ISA.

44S Prohibition against exploitation of a customer

A company holding a platform license will not do anything, either by act or omission, either in writing or verbally or in any other manner, which involves any type of exploitation of a customer's ignorance or inexperience, in order to enter into a transaction with unreasonable terms or in order to give or receive consideration which is unreasonably different than the standard consideration.

44T ISA supervision

(a) The ISA will supervise the proper and fair conduct of a trading platform by a company holding a platform license.

(b) The ISA may, for the purpose of carrying out the supervision described in sub-section (a), issue instructions relating to the manner in which a company holding a platform license will act, and relating to the manner in which a corporate officer or any employee of such a company will act – all in order to ensure the proper and fair conduct of the trading platform and the protection of its customers' interests; such instructions may be issued to all companies holding platform licenses, or to a particular category of such companies.

(c) Instructions issued pursuant to sub-section (b) need not be published in *Reshumot*, but the ISA will publish a notice in *Reshumot* regarding the issuance of such instructions and regarding the date for their entry into effect; the instructions and any amendments thereof will be made available for public review at the office of the ISA and will be published on the IAA's website, and the ISA may order additional methods for their publication.

(d) Without detracting from the provisions of sub-section (b), the ISA may, for the purpose of carrying out the supervision described in sub-section (a), issue an instruction to a particular company holding a platform license, in order to ensure the implementation of the provisions of this Law.

(e) Upon receiving a request for such from the ISA or from an ISA employee who has been authorized for such purpose, and within the time indicated in the request, a company holding a platform license will provide the ISA with a written explanation, specification, information or documents – relating to details included in a report submitted pursuant to this Chapter.

44U Liability of a company holding a platform license

(a) A company holding a platform license will be liable for damage caused to a customer as a result of its breach of an instruction issued pursuant to this Law, or of one of the provisions of its by-laws which were enacted pursuant to section 44R.

(b) The general manager of a company holding a platform license must supervise and take all reasonable measures to prevent a violation, as described in sub-section (a), of any instruction or provision of the by-laws by the company or by one of its employees.

(c) If a company holding a platform license violates an instruction or by-law described in sub-section (a), it will be presumed that the general manager of the company has breached his duty pursuant to sub-section (b), and he will also be subject to the liability described in sub-section (a), unless he proves that he took all reasonable measures in order to fulfill his said duty.

44V Notification duty of principal shareholders and corporate officers of companies holding platform licenses

If instructions issued pursuant to this chapter require a company applying for a platform license or one holding such a license to disclose in its reports details relating to those who are principal shareholders or corporate officers in such companies, the provisions of sections 37 and 38 - regarding the notification duty of a principal shareholder or corporate officer, or regarding parties who have ceased to be principal shareholders or corporate officer, as described in section 37(b) - will apply.

44W Revocation or suspension of a platform license

(a) If the Chairman of the ISA finds that one of the conditions described in section 44M(b) is no longer being met with respect to a company holding a platform license, or that circumstances listed in sub-section (b) indicating a defect in the reliability of the company or of a corporate officer or principal shareholder in the company have arisen, and the Chairman of the ISA believes that such defect can be corrected, the Chairman may order its correction within a prescribed period of time; if the defect cannot be corrected or if the period of time prescribed by the Chairman has passed and the defect has not been corrected, the ISA may - after giving the company an opportunity to state its case regarding the matter - revoke the license or suspend the license.

(b) The ISA will establish a list of circumstances which indicate a defect in a reliability of a company holding a platform license or of a corporate officer or principal shareholder in such a company; the list will be published on the ISA's website and a notice of its publication or of any amendment thereof and of the date of its entry into effect will be published in *Reshumot*.

44X Controlling shareholder's permit

- (a) No person may be a controlling shareholder of a company holding a platform license without obtaining a permit from the ISA (in this Chapter – a control permit).
- (b) The ISA may only refuse to grant a control permit pursuant to this section for reasons relating to the reliability of the party requesting the permit or to the reliability of a corporate officer of such party.
- (c) The provisions of sub-section (a) will not apply to a party that has become a controlling shareholder such as is described in sub-section (a) as a result of a transfer of the means of control by operation of law.

44Y Transfer of means of control

A party holding the means of control in a company holding a platform license may not transfer such means of control to another party with the knowledge that the transferee is required to hold a control permit, and does not hold such a permit.

44Z Cancellation of a control permit

- (a) If the Chairman of the ISA finds that circumstances listed in sub-section (b) indicating a defect in the reliability of a party holding a control permit or of a corporate officer or principal shareholder in such a party have arisen, and the Chairman of the ISA believes that such defect can be corrected, the Chairman may order its correction within a prescribed period of time; if the defect cannot be corrected or if the period of time prescribed by the Chairman has passed and the defect has not been corrected, the ISA may - after giving the party holding the control permit an opportunity to state its case regarding the matter - revoke the permit.
- (b) The ISA will establish a list of circumstances which indicate a defect in a reliability of a party holding a control permit, or of a corporate officer or principal shareholder in such a party; the list will be published on the ISA's website and a notice of its publication or of any amendment thereof and of the date of entry into force will be published in *Reshumot*.

44AA Instructions to a party acting without a control permit

- (a) If the Chairman of the ISA finds that a person is a controlling shareholder of a company holding a platform license, and such person does not hold a control permit, the Chairman of the ISA may, after giving such person an opportunity to state his case regarding the matter, order –
- (1) The sale of all or some of the means of control held by such person, within a prescribed period of time, such that the person will no longer be a controlling shareholder;
 - (2) That voting rights or rights to appoint a director or a general manager, granted by virtue of the means of control held by such person not having a control permit, may not be exercised;
 - (3) That a vote cast by virtue of the means of control held by such person not having a control permit may not be counted as part of a quorum for voting;
 - (4) That the appointment of a director or general manager caused by such person be cancelled;
 - (5) That the company's platform license be cancelled.
- (b) If a person is a controlling shareholder in a company holding a platform license by virtue of a transfer of the means of control by operation of law, the ISA may – after giving such person an opportunity to state his case regarding the matter – order the sale of all or some of such means of control, within a prescribed period of time, such that the person will no longer be a controlling shareholder.
- (c) If the ISA has issued instructions pursuant to sub-section (b) to sell the means of control, it may also issue an instruction such as is described in sub-sections (a)(2) through (4), with the necessary changes.

(d) If the controlling shareholder has not sold the means of control in accordance with the instructions of the Chairman of the ISA or of the ISA, pursuant to sub-sections (a) or (b), a Court may, at the ISA's request, appoint an asset receiver for the sale of such means of control.

44BB Duty to give notice regarding an investigation, indictment or conviction

(a) A company with a platform license or a party holding a control permit will notify the ISA of any conviction for a crime, indictment regarding the commission of a crime or initiation of an investigation regarding the suspected commission of a crime – regarding such company or party, or regarding a corporate officer of either of them.

(b) A corporate officer of a company with a platform license or of a controlling shareholder of such a company will notify the company or the controlling shareholder, whichever is relevant, of any of the matters described in sub-section (a), immediately upon becoming aware of such; a notice provided pursuant to this sub-section will include the details that the company or the controlling shareholder requires in order to comply with the duty imposed in sub-section (a).

44CC Regulations regarding Chapter 7-C

The Minister of Finance, at the recommendation of the ISA or in consultation with it and with the approval of the Knesset Finance Committee, may establish rules regarding following matters:

- (1) The permitted leverage rate for financial instruments traded on the floor, including different leverage rates for different types of financial instruments;
- (2) The prevention of conflicts of interest between a company holding a platform license (in this section – the Company), its employees, any parties providing services on its behalf, and its controlling shareholder on the one hand – and its customers, on the other hand;
- (3) The manner in which the Company's customers' funds are handled;
- (4) The information that a Company will be required to provide to its customers, including information regarding the trading platform, the financial instruments traded on it and their prices, and the transactions entered into on the platform;
- (5) The Company's preservation of documents;
- (6) The Company's duty to examine the suitability of the trading platform activity for each particular customer, including the degree of the customer's understanding of the risks and chances involved in his trading platform activity;
- (7) The manner in which the Company carries out marketing and advertising, including publications or notices to customers regarding the risks and chances involved in the trading platform activity;
- (8) Reports that the Company is required to submit to the ISA, and the manner in which they will be made public;
- (9) The recordation of transactions by the Company.

44DD Limitation on applicability

(a) The provisions in this Chapter will not apply to the following:

- (1) The Bank of Israel;
- (2) Any party all of whose customers fall within the categories listed in the First Schedule, and a banking corporation or an auxiliary corporation, as defined in the Banking Law (Licensing) – 1981, unless transactions of the types listed in the Fourth Schedule – Part A will be carried out through the trading platform.

(b) The Minister of Finance may, upon consultation with the ISA and with the Supervisor of Banks appointed pursuant to section 5 of the Banking Ordinance, 1941, and through the issuance of an order, add additional types of transactions to the Fourth Schedule – Part A.

46 By-laws of a stock exchange

(a) The by-laws of a stock exchange shall establish rules for the proper and fair operation of the stock exchange; without derogating from the above, the by-laws may establish, for the said purpose:

(1) Rules pertaining to membership in the stock exchange, including -

(a) The terms of eligibility for membership in the stock exchange and the procedure for the admission of members;

(b) Areas of activity permitted to a member of the stock exchange;

(c) The duties of the members of the stock exchange to the stock exchange and to its members, including duties of disclosure, registration and reporting;

(d) Rules of behavior for the members of the stock exchange towards their clients, including duties of disclosure, registration and reporting;

(e) The stock exchange's supervision and control regarding its members' compliance with the stock exchange by-laws and directives;

(f) Disciplinary offenses and disciplinary jurisdiction with regard to the members of the stock exchange;

(g) Terms and procedure for the suspension of members and termination of membership;

(h) The application of provisions of subsections (a) through (g), *mutatis mutandis*, to a company operating within the areas of activity permitted to a member of the stock exchange and which is under the control of or has control over a member of the stock exchange;

(2) Rules for the listing of securities for trading on the stock exchange (hereafter - listing for trading) including rules regarding:

(a) Criteria of a company eligible to have its securities listed for trading, with regard to the duration of its activity, volume of its activity and its business results, the value of its assets and liabilities, its relationship to other corporations and its classification according to listing groups; various rules may be made in accordance with the type of economic activity in which a company is engaged;

(b) Characteristics of securities that may be listed for trading, with regard to type, minimum total value at the time of listing, the minimum percentage to be held by the public immediately after listing and the degree of dispersal, and the maximum number of classes or series;

(c) The ratio between the price of the securities upon issue and the price of the company's securities on the stock exchange, the manner in which the issue will be carried out and the mode of allocation of the issued securities;

(d) The requirement that the company's securities will be issued under the same terms and at an equal price for all purchasers, and the conditions and circumstances in which it is permitted to deviate from this requirement with respect to types of issues or types of purchasers, if necessary to encourage investment in the company's securities, or with regard to the allotment of securities to employees;

- (e) The listing for trade of securities that were issued through a private offering;
 - (f) Prohibition of any transaction or activity in securities by a holder or category of holders, for a period to be determined;
 - (g) The requirement that all of the company's issued share capital be fully paid up;
 - (h) The requirement that all of the company's issued share capital will be listed for trade, and rules for deviation from this rule with regard to industrial companies to which the Law for the Encouragement of Industry (Taxes), 5729-1969 applies; this requirement will not apply in regard to special State shares as described in section 46B (1);
 - (i) The requirement that all of the company's issued capital be listed for trading in the name of a nominee company, and rules for deviation from this rule, including with regards to companies whose securities are listed for trading in a stock exchange outside of Israel and with regards to companies that were incorporated outside of Israel.
- (3) Rules regarding trade on the stock exchange, including -
- (a) Trading hours;
 - (b) Trading in various trading groups or through various trading systems;
 - (c) The stock exchange's supervision and control regarding compliance with the stock exchange by-laws and directives pertaining to trading and the proper conduct thereof;
 - (d) Conditions and procedures for the temporary suspension or limitation of trade in a security or in a class of securities;
 - (e) The restriction of trading on the stock exchange only to its stock exchange members or to persons approved by the stock exchange, and the terms for such approval;
 - (f) Publication of the results of trading;
 - (g) The circumstances under which a transaction in securities that are listed on the stock exchange may be carried out by a member thereof other than in the course of trading on the stock exchange;
- (4) The obligations of a corporation whose securities are listed for trade on the stock exchange, (hereinafter - a listed company) including:
- (a) Continued compliance with the rules prescribed for initial listing for trading, including after initial listing, subject to changes resulting from the fact that the said securities of the company are listed for trade;
 - (b) The duty to give notice regarding types of occurrences, and to provide information upon the stock exchange's demand for such;
- (5) The conditions and procedure for the suspension of trading in a security or for the delisting of a security, including delisting at the initiative of the listed company;
- (6) Rules for the publication of information by the stock exchange, including information regarding trading, to the members of the stock exchange and to listed companies;
- (7) Commissions, listing fees and fees for services provided by the stock exchange;
- (8) The application of the rules established in the by-laws to a corporation that is not a company and to units of a closed fund as such is defined in the Joint Investment Trust Law, and the adjustments required for this.
- (b) The stock exchange by-laws may allow the board of directors of the stock exchange to refuse to list securities for trade on the stock exchange if it is of the opinion that there exists a substantial conflict of

interest between the company and a controlling shareholder therein or between the company and another company under the control of a controlling shareholder, provided that any such decision shall be passed by at least two-thirds of the Board members participating in the meeting and entitled to vote, after the company has been granted a proper opportunity to present its case in writing to the board of directors.

(c) The stock exchange by-laws and any amendment thereto may establish transitional provisions in addition to the provisions determined therein.

(d) The board of directors of the stock exchange may, with the approval of the ISA, enact directives that include specifications, conditions and reservations with regard to anything set out in the by-laws, provided that it is expressly empowered to do so in the by-laws.

50C The ISA's supervision of clearing house activities

(a) The ISA will supervise a clearing house, as defined in section 50A, so as to ascertain its stability and efficiency as described in section 10 of the Payment Systems Law, 5768-2008; for this purpose, the ISA will examine, *inter alia*, the clearing house' compliance with the provisions of section 50B and of this section, and the appropriateness of the clearing house' rules.

(b) If the ISA determines that a clearing house has failed to carry out one of the requirements in section 50B, the ISA may, after giving the clearing house and the clearing house members, as defined in section 50B(1), an opportunity to state their positions, order the clearing house to comply with the said requirement in a manner and by a time that the ISA will order, and it may, *inter alia*, instruct it to enact rules or to change them, in accordance with the provisions of section 50B, or to operate the clearing house in accordance with the provisions of the said section.

(c) If a clearing house fails to comply with an instruction given it by the ISA pursuant to sub-section (b) regarding the enactment of rules or the making of changes thereto, the ISA may enact or change such rules itself; if the ISA has enacted or changed such rules pursuant to this sub-section, it will notify the clearing house of such and will publicize the rules that were enacted or changed as stated, or post a notice of such, on the ISA website; the clearing house will inform the clearing house members, as defined in section 50B(1), of the enactment of rules or of the changes in them, in accordance with the clearing house' rules; the rules or changes will enter into force on the date established in the said posting or notice.

(d) The Chairman of the ISA, or whoever the Chairman has authorized for such purpose, may require of a clearing house or of a clearing house member, as defined in sub-section 50B(1), at a time and in a manner that the Chairman or authorized party orders, that they deliver any information or document which the ISA requires in order to carry out the provisions of this section, including information regarding the amount and scope of the payment orders that the clearing house had received or carried out, or information regarding the clearing house rules – provided that the Chairman or authorized party does not require information which could lead to the disclosure of the identity of a party receiving services from the clearing house member, unless such disclosure is, in the view of the Chairman of the ISA, essential for the implementation of the provisions of this section.

(e) In this section, the term —clearing house rules shall mean the rules according to which the clearing house operates.

51 The ISA's supervision of the activities of a stock exchange

(a) The ISA shall supervise the orderly and fair operation of a stock exchange.

(b) If the ISA is of the opinion, after first having granted the chairman of board of directors of a stock exchange a proper opportunity to be heard, that the stock exchange is operating contrary to the provisions

of its by-laws or its directives, or in a manner that undermines its orderly and fair operation, the ISA shall approach the stock exchange and direct it as to the proper manner of operation.

(c) A stock exchange shall submit reports on its activities to the ISA at the times and in accordance with the particulars prescribed by the ISA, and shall provide the ISA, upon demand, with information on the affairs of the stock exchange.

(d) A representative of the ISA may be present at the general meetings of a stock exchange, at the meetings of the board of directors and at the meetings of its committees.

52. Definition

In this Chapter, the term —securities shall include securities not included in the definition in section 1, including units of a closed fund within the meaning of the Joint Investment Trust Law.

52C. The use of information by an insider

(a) An insider in a company may not make use of inside information;

(b) An insider in a company who makes use of inside information which is in the insider's possession, in contravention of the provisions of sub-section (a), shall be punishable by imprisonment for a term of five years or a fine equal to five times the fine stipulated in section 61(a)(4) of the Penal Law, 5737-1977 (hereinafter - the Penal Code) – and if the insider is a corporation, a fine equal to twenty-five times the amount of the fine stipulated in that section.

52D Use of inside information the source of which is an insider

(a) A person may not make use of inside information which the person received, either directly, from an insider in a company;

(b) A person who makes use of inside information which the person received, either directly, from an insider in a company, in contravention of the provisions of sub-section (a), shall be punishable by imprisonment for a term of two years or a fine equal to two and one half times the fine stipulated in section 61(a)(3) of the Penal Law, 5737-1977 (hereinafter - the Penal Code) – and if the insider is a corporation, a fine equal to twelve and one half times the amount of the fine stipulated in that section;

52OO Confidentiality of the Committee's deliberations and of the material submitted to it

The provisions of section 13 will apply to the members of the Committee regarding the Committee's deliberations and the material submitted to it or to its members by virtue of their being Committee members.

54. Fraud in connection with securities

(a) A person who [is convicted of doing] one of the following shall be punishable by imprisonment for a term of five years or to a fine in an amount five times the fine prescribed in section 61(a)(4) of the Penal Law, and if a corporation is so convicted – it will be subject to a fine which is twenty-five times the size of the said fine:

(1) Induced or attempted to induce a person to purchase or sell securities by way of a statement, promise or projection - written, oral or otherwise - which the person knew or ought to have known to be false or misleading, or by concealing material facts;

(2) Fraudulently influenced the fluctuation of the price of securities. For the purpose of this paragraph, it will be presumed that anyone acting in accordance with the provisions of section 56(a) regarding the stabilization of the price of securities has not engaged in an act of fraudulent influencing as stated above.

(a1) A supervised party or an investor in securities who is convicted of doing one of the following will be deemed for purposes of Chapter 8-D to have committed a violation of a provision listed in Part C of the Seventh Schedule:

(1) Stated something, or delivered a promise or projection – either in writing, verbally or otherwise – which the person should have known to be false or misleading, or hid material facts from another person, when the first person knew that these acts could motivate the other person to purchase or sell securities;

(2) Executed a single trader securities transaction in securities, a coordinated securities transaction or a stabilization of securities prices;

(b) In this section -

“stabilization” – the execution by an interested party - before or after the publication of a prospectus - of purchases and sales of securities that have influenced the prices of securities favorably in anticipation of the offering, while hiding material information relating to the stabilization activities at the time that they are carried out;

“investor in securities” – a party which, in the three months preceding the date of the violation, executed purchases or sales of securities on the stock exchange of a quantity and size that are no less than the following quantities or sizes:

(1) An average of 50 such transactions each month, or transactions in an average monthly amount of NIS 1,000,000;

(2) An average of 25 such transactions each month, or transactions in an average monthly amount of NIS 500,000, if the party – at the time that the said transactions were carried out – served in a position in a financial field which required knowledge of investments in securities or in financial assets as defined in the Advice Law, even if the party did not serve in such position at the time of the violation:

“securities” – as defined in section 52;

“coordinated securities transaction” – a sale and purchase of the same security by two or more persons, carried out with prior coordination among the parties, and which has influenced the security’s price on the stock exchange - other than a coordinated transaction as defined in the stock exchange by-laws which was carried out in accordance with the provisions of those by-laws.

“single trader securities transaction” – a simultaneous sale and purchase of the same security by the same person or by a person acting on one person’s behalf, which has influenced the security’s price on the stock exchange.

Chapter 9B: Cooperation with a Foreign Authority

54K1 Definitions

(a) In this Chapter -

“Foreign Authority” – an entity charged with executing and enforcing the securities laws in a country which has signed a Memorandum of Understanding with the ISA;

“Memorandum of Understanding” – an agreement concerning cooperation in the administration and enforcement of securities laws;

“Assistance to a Foreign Authority” – a demand for information and documents, the conducting of a search [and/or] seizure of documents, the conducting of an investigation and delivery of information and documents for the purposes of executing and enforcing the securities laws in a foreign country;

“Request for Assistance” – a request for assistance submitted in writing to the ISA by a Foreign Authority in accordance with the [relevant] Memorandum of Understanding;

“Securities laws” – laws pertaining to securities, which the ISA or a Foreign Authority is charged with executing and enforcing.

(b) The definitions of the terms in the securities laws of a foreign country shall be in accordance with the definitions given them by the applicable law within the jurisdiction of the Foreign Authority.

54K2. Approval of Request for Assistance

If the Chairman of the ISA is of the opinion that all of the following conditions have been complied with, he or she may determine that a Request for Assistance will be subject to the provisions of this Chapter:

- (1) The Foreign Authority has submitted the Request for Assistance in accordance with the regulations enacted pursuant to section 54K7;
- (2) The subject of the Request may constitute a violation of the securities law that the petitioning Foreign Authority is charged with executing and enforcing;
- (3) The provisions of this Chapter and of the Memorandum of Understanding have been complied with;

54K3. Authority of the Attorney-General

No action shall be taken under the provisions of this article if such action, in the opinion of the Attorney-General, may be harmful to the sovereignty of the State of Israel, to its security, to a vital interest, to the public interest or to a pending investigation.

54K4 Authority to perform acts of assistance

(a) In order to ensure provision of assistance to a Foreign Authority, a person authorized in writing by the Chairman of the ISA for this purpose may use the authority described in sections 56A, 56A1 and 56B through 56C1, *mutatis mutandis*. Nevertheless the authority described in section 56B, 56B1 or 56C1 may be exercised only in cases in which the subject of the Request could be the subject of a criminal investigation pursuant to Israeli securities laws.

(b) The provisions of section 56E shall apply, *mutatis mutandis*, to any document reaching the hands of a person so authorized under subsection (a).

(c) If the Chairman of the ISA has determined that the provisions of this article is applicable to a Request for Assistance, he or she may instruct the person authorized pursuant to subsection (a) to take statements in accordance with the rules of procedure in force in the jurisdiction of the Foreign Authority, if the Foreign Authority has so requested in the Request for Assistance.

54K5 Authorization to transfer information and documents

(a) If the Chairman of the ISA has made a determination pursuant to section 54K2, and information or a document which is requested in the Request for Assistance is in the possession of the ISA, a person

authorized in writing by the Chairman of the ISA for this purpose may transfer the said information or document to the Foreign Authority, or may transfer a certified copy or certified photocopy of the same.

(b) A person authorized by the Chairman of the ISA in accordance with section 54K4 may transfer to a foreign authority any information or document which has come into the authorized person's possession as a result of the said authorization, or a certified copy or certified photocopy of the same.

(c) No information, document or copy as described in subsections (a) and (b) shall be transferred unless the Chairman of the ISA is satisfied that such information, document or copy will be used exclusively for the purpose for which they were transferred.

(d) Notwithstanding the provisions of this section, no document pertaining to the business of a banking corporation or of an insurer, which is not a public document or a certified copy or a certified photocopy of such a document, may be transferred to a Foreign Authority other than with the consent of the Supervisor of Banks or the Insurance Commissioner, whichever is relevant;

In this subsection -

“Banking corporation” – shall be as defined in the Banking (Licensing) Law, 5741- 1981, but will not include a cooperative services company;

“Insurer” – shall be as defined in the Insurance Business (Control) Law, 5741-1981.

54K6. Reciprocity

The Chairman of the ISA may order that a certain act requested by a Foreign Authority will not be performed, if the said Foreign Authority had refused to perform a similar act when requested to do so by the Israel Securities Authority.

54K7. Regulations

The Minister of Justice may enact regulations -

(1) For the purpose of implementing this article, including matters pertaining to the procedures for submitting Requests for Assistance to a Foreign Authority, and for the handling thereof;

(2) For purposes of implementing the Memorandum of Understanding.

54K8. Effect of regulations

If the Memorandum contains provisions regarding any of the following matters, and regulations were enacted for implementing the same, the regulations shall be valid, notwithstanding the provisions of this or any other law:

(1) The delivery, proof, verification and certification of documents by a Foreign Authority at the request of the ISA;

(2) The taking of testimony, seizure of documents or performance of any other act of enforcement by the Foreign Authority at the request of the ISA.

54K9 Qualification with regard to information and documentation transfer

(a) Notwithstanding any provision of any law, the ISA may refrain from transferring to a third party any information or document submitted to it by a Foreign Authority, or any information or document received, collected or created as a result of a Request for Assistance or a request for information or a documents that was submitted by a Foreign Authority, including the request itself; nothing in this provision shall be construed as preventing disclosure upon the demand of the Attorney General for purposes of a criminal prosecution or upon a court demand.

(b) In this section the term "Foreign Authority" – shall mean an entity charged with executing and enforcing the securities laws in a foreign country, even if it has not signed a Memorandum of Understanding with the ISA.

56A. Power to demand information and documents

(a) In order to ensure the implementation of this Law, or if or if there is a reasonable basis for believing that a violation has been committed or if a suspicion has arisen regarding the commission of an offense, the ISA Chairman or an ISA employee authorized by the Chairman for this purpose in writing may:

(1) Require of any person that they provide any information or document relating to the business of a corporation to which this Law applies, or relating to such violation or offense;

(2) After identifying himself or herself, enter into any place in which the Chairman or employee has a basis for believing the activity of a supervised party is taking place, and which does not serve exclusively as a residence, and to demand to receive documents such as those described in subparagraph (1); however, no such document may be seized if a copy thereof will suffice:

(b) The ISA shall, within six months of the day of obtaining the document, return the same to the person from whom it was obtained, unless an indictment has been filed or a notice has been sent regarding the initiation of an administrative enforcement proceeding pursuant to section 52TT, and the document is apt to be used as evidence in the trial or in the said proceeding; a Magistrate Court judge may, upon application by the ISA or by a representative of the Attorney-General, and after having granted the person from whom the document was obtained a proper opportunity to be heard, extend the aforesaid period under terms which shall be prescribed.

56A1 Supervision of stock exchange transactions

(a) In order to secure the execution of this Law, the Chairman of the ISA or an ISA employee whom the Chairman has authorized in writing for such purpose may demand of a stock exchange, a stock exchange member, a company with a platform license pursuant to section 44M, or of an investment portfolio manager, as defined in the Advice Law, any information or document relating to a securities transaction involving securities that are listed for trading on a stock exchange which was carried out by or through them, including identifying details of the party for whom the transaction was carried out or of the party that gave any of them instructions to carry out the transaction.

(b) The provisions of section 56A(b) will apply as well to a document which has been provided pursuant to this section.

(c) The provisions of this section do not detract from a stock exchange's powers pursuant to its by-laws.

56E. Confidentiality

A person authorized pursuant to sections 52QQ, 56A, 56B, 56B1, 56C or 56F shall not disclose the contents of any information or document coming into his or her possession by virtue of his or her position, save for purposes of an investigation or for the purposes of an inquiry regarding a violation pursuant to section 52QQ, whichever is relevant, or to the Chairman of the ISA or to an ISA employee in accordance with a directive from the Chairman of the ISA; nothing in this section shall be construed as

preventing disclosure upon demand of the Attorney-General for purposes of a criminal trial or upon demand of the Court or of the panel appointed to adjudicate the violation;.

56F. Audit

If the ISA is of the opinion that for purposes of protecting the interests of the investing public it is appropriate to conduct an audit of a corporation which is subject to the provisions of this Law, it may appoint any person, whether or not the said person is an employee of the ISA, to conduct an audit and demand documents and information in accordance with section 56A; the provisions of this section shall not apply to a stock exchange, banking corporation or to an insurer as defined in the Insurance Business (Control) Law, 5741-1981.

Extracts from the Control of Financial Services (Insurance) Law, 5741-1961

CHAPTER ONE: INTERPRETATION

Definitions

1. In this Law –

"insurer" – a person who received an Israeli insurer's license under section 15(a)(1) or a person who received a foreign insurer's license under section 15(a)(2);

Control and means of control in an insurer and in an incorporated agent

32. (a) No person shall hold more than 5% of a particular category of means of control in an insurer, except under a permit issued by the Controller.

(b) No person shall control an insurer or incorporated agent, except under a permit issued by the Controller;

(b1) The considerations specified in section 17 shall be taken into account, mutatis mutandis, when issuing a permit under this section, including the applicant's suitability for controlling or holding a quantity of means of control, as requested, including his business experience, his affairs and his other businesses, his economic strength, his reliability, and also the possible implications of issuing the permit on the present or future control of the insurer or the incorporated agent; the fact that the applicant is a cooperative society shall not be taken into account among the considerations under this section.

(b2) No permit to control an insurer shall be given, if – after the permit is given – the applicant will have a substantive holding in the field of long term saving.

(c) A permit issued under this section is also in effect for every body corporate controlled by the holder of the permit.

(c1) No person shall have a substantive holding in the field of long term saving, except because of one of the following:

(1) a change in the market value of the long term saving assets managed by him or by institutional bodies under his control;

(2) a change in the value of all long term saving assets;

(3) insured persons or members, as defined in the Control of Financial Services (Benefit Funds) Law, joined life insurance programs or benefit funds in a manner that increases the long term saving assets managed by him or by institutional bodies under his control, other than persons who joined as aforesaid in consequence of an affiliation or merger with another institutional body.

(d) The provisions of subsections (a) and (b) shall not apply –

(1) to a person who holds means of control by virtue of a transfer by operation of Law;

(2) to a body corporate which acquired means of control from a person who controls it.

(e) Repealed

(f) The provisions of this section shall not apply to means of control in a body corporate that is a foreign insurer, unless the holder is an Israel resident.

(g) The provisions of this section shall also apply to the holding of means of control in an insurer as collateral for a debt, other than aforesaid means of control intended in good faith to be collateral for a debt, held by a banking corporation, when their amount in a certain client's securities account does not exceed 0.001% of that category of means of control.

Article One "A": Organs and Other Officers of Insurers

41A. In this Article, "insurer" – other than a foreign insurer, unless the Minister provided otherwise and on the conditions he prescribed.

Board of Directors of an insurer

41B. At least seven Directors and no more than fifteen Directors shall serve on the Board of Directors of an insurer (in this Article: the Board of Directors).

Applicability of provisions of the Companies Law

41C. (a) The provisions of sections 94(a), 97, 100, 114 to 117, 119(a), 146 to 153, 219(c) and 269 of the Companies Law shall apply, mutatis mutandis according to the provisions of this Law, to insurers, as if they were public companies, and the provisions of subsections (a) and (b) of section 95 of that Law shall also apply to them, but for the present purpose those subsections shall be read without the words "except under the provisions of section 121(c)."

(b) The Minister of Finance may, in consultation with the Minister of Justice, prescribe relaxations in respect of the applicability of the sections enumerated in subsection (a) to insurers, by way of determining changes and adjustments in the applicability of some or all of the said provisions to insurers, or by determining that all or some of these regulations not apply to them.

Actuary and risks manager

41D. (a) An insurer shall appoint an actuary for each branch of insurance in which the insurer engages, except for branches designated by the Controller, and one actuary may be appointed for several branches of insurance in which the insurer engages (in this Law: appointed actuary); the appointment of an appointed actuary and the termination of his service before the end of the term of his appointment shall require advance approval by the Board of Directors.

(b) The responsibilities of an appointed actuary shall be at least as follows:

- (1) to recommend to the Board of Directors and to the General Manager the amount of the insurer's insurance obligations in the branches of insurance for which he was appointed, and in respect of an insurer that received a license said in section 15(a1) – on the actuarial balance sheet of the pension benefit fund that it manages;

(2) to prepare or certify for the insurer any report, declaration or other document, which the insurer must submit under this Law and which the Controller prescribed that it be prepared or certified by the appointed actuary;

(3) to provide information and reports prescribed by the Controller to the risks manager appointed under subsection (c), for the exercise of the risk manager's responsibilities in respect of the insurance branches for which the actuary was appointed;

(4) any other task ordered by the Controller.

(c) Insurers shall appoint risk managers, and an insurer that received a license said in section 15(a1) shall also appoint a risk manager for every pension benefit fund managed by the insurer, and one risk manager may be appointed for an insurer and several said benefit funds; the appointment of a risk manager and the termination of his service before the end of the term of his appointment shall require advance approval by the Board of Directors.

(d) The responsibilities of a risk manager appointed as aforesaid shall be at least as follows:

(1) to advise the Board of Directors and the General Manager about the risks designated by the Controller that face the insurer, and if he is the risk manager of a pension benefit fund, as said in subsection (c) – about the said risks that face the members of the benefit fund;

(2) any other task ordered by the Controller.

Investment Committees

41E. (a) The Board of Directors shall appoint Investment Committees, as specified below:

(1) an Investment Committee for the investment of the insurer's equity and for the investment of money to cover insurance obligations that are not yield-dependent obligations (in this Law: Committee for Non-Yield-dependent Investments);

(2) an Investment Committee for the investment of monies to cover the insurer's yield-dependent obligations (in this Law: Committee for Yield-dependent Investments).

(b) Persons who are not Directors of the insurer also may serve on the investment committees said in subsection (a).

(c) The provisions under section 11 of the Control of Benefit Funds Law shall apply to the Committees for Yield-dependent Investments; the Minister of Finance may prescribe relaxations in respect of the applicability of all or part of the said section to insurers by way of determining changes and adjustments in the applicability of all or some of the provisions of the said section to insurers, or by determining that all or some of those provisions not apply to them.

Rules for Boards of Directors, their Committees and Committees for Non-yield-dependent Investments

41F. (a) The Minister of Finance may prescribe provisions on the following matters:

(1) composition of the Board of Directors, and also the appointment of Board of Directors committees and of the Committee for Non-Yield-dependent Investments (in this section: Investment Committee), the number of their members and their composition;

(2) qualifications of Directors, of Board of Directors committee members and of Investment Committee members, and the Minister of Finance may prescribe additional qualifications, including

accounting and financial skills to be required of an outside Director and of certain members of the said committees;

(3) restrictions on the appointment of Directors, Board of Directors committee members and Investment Committee members, including restrictions in respect of their other affairs;

(4) how Directors and Investment Committee members are appointed and provisions on the termination or lapse of their term of service;

(5) the quorum at meetings of the Board of Directors, of Board of Directors committees and of Investment Committees;

(6) the tasks of Investment Committees and the decisions that shall be adopted by a said Committee, including the decisions that are to be adopted by special procedures or by a special majority that is to be prescribed, as well as the times and events, when the Committee shall convene;

(7) subject to be discussed and decisions to be adopted by the Board of Directors or by one of its committees, and said decisions that are to be adopted by special procedures or by a special majority that is to be prescribed.

(b) The Controller may order how the Board of Directors, Board of Directors Committees and Investment Committees are to function, to the extent that this was not prescribed by regulations under subsection (a).

Auditor

41G.(a) An insurer shall appoint an auditor, and the provisions of sections 154 to 170 of the Companies Law shall apply to it, as if the insurer were a public company, subject to the provisions of this section and mutatis mutandis.

(b) If, in the course of his work, the auditor learns of any substantive violation of any provision under this Law or of administrative orders made thereunder, then he shall give written notice thereof to the Audit Committee and to the Board of Directors and ask for the General Manager's reaction within the time he shall specify in the notice; if the General Manager's reaction is not received within the time set as aforesaid, or if – after he studied the General Manager's reaction – the Auditor is not convinced that the violation is not a substantive violation, then the Auditor shall – notwithstanding the provisions of any statute or agreement – give notice of the violation to the Controller, together with the General Manager's reaction, as far as that was received.

Qualifications

41H. The Minister of Finance may prescribe qualifications for officers, General Managers, risks managers or actuaries of insurers, and also for persons who manage investments for or on behalf of insurers, and he may make provisions on additional activities during their terms of service or their employment in aforesaid positions, and he may also set restrictions that shall apply to them at the conclusion of their service or employment, as far as that is required for the protection of insured persons.

Preventing conflicts of interests

41I.(a) No person shall be appointed Director, committee member, General Manager, officer or holder of any other position in an insurer, if his other positions or occupations create or are liable to create conflicts of interests with his said position, or if they are liable to diminish his ability to serve in that position.

(b)The Minister of Finance may prescribe provisions, the purpose of which is the prevention of possible conflicts of interests of a Director, committee member, General Manager, officer or holder of any other position in an insurer, including provisions on other activities in which they must not engage or on acts that they must not perform, and also on declarations and reports that will be required of them.

Approval of the appointment of an officer

41J.(a)A person shall not serve as officer of an insurer, unless notice was given to the Controller at least sixty days before the term of service begins, and unless the Controller did not give notice during that period of his objection to the said appointment, or if he did give notice that he does not object to the appointment.

(b)The Controller shall decide to object to an appointment only after he gave the candidate an opportunity to present his arguments, and for this purpose he shall take the candidate's suitability for the proposed position into account, including his business experience, honesty, integrity and his connections of any kind whatsoever with the insurer or with an officer of the insurer.

(c)If an officer was appointed and if after the appointment additional or new particulars in respect of the considerations said in subsection (b) come to light, then the Controller may – after consultation with the Committee and after he was given an opportunity to present his arguments to it in the manner prescribed by it – order that his service be terminated because of the aforesaid additional or new particulars.

(d)The provisions of this section shall also apply – mutatis mutandis – to the service of a Director of the insurer as chairman of its Board of Directors.

(e)In this section, "officer" – a Director, General Manager and internal auditor, as well as persons designated by the Controller; for each insurer the Controller shall prescribe to which positions in that insurer appointments require approval, on condition that his determination not include more than the holders of seven positions in the insurer.

Delivery of information and documents

50.(a)The Controller, or a person authorized by him for that purpose, may require every insurer or insurance agent and any of their officers to deliver to him any information or document that relates to insurance business handled by them, including statistical and actuarial reports, and to show him or his representatives any book, account, certificate or other document in their possession, which relates to their insurance business.

(b) Repealed

Confidentiality

50A.The Controller, any employee under him or whoever acts on his behalf shall not reveal any information and shall not show any document he was given by virtue of his position or his powers under this Law, unless it be for the purposes of a criminal proceeding, or if the Controller found it necessary for a discussion in the Committee.

Delivering information to a supervisory authority in Israel

50B.(a)Notwithstanding the provisions of section 50A, the Controller may reveal information or show documents to the Securities Authority, within its meaning in section 2 of the Securities Law 5728-1968, to the Bank of Israel and to the Supervisor of Banks who was appointed under the provisions of section 5 of the Banking Ordinance 1941 (in this section: the recipient body), on condition that he is satisfied that the information or the document is requested for the exercise of the recipient body's responsibilities.

(b)No person shall disclose information or show a document delivered to him under the provisions of this section.

Delivering information to supervisory authorities abroad

50C.(a)Notwithstanding the provisions of section 50A, the Controller may convey information or documents in his possession to the competent authority of a foreign country, which is responsible for supervising whoever engage in insurance or in insurance brokerage in that country.

(b)The Controller shall convey information or documents under the provisions of subsection (a) only if he is satisfied that the following two conditions have been met:

(1)the documents and information were requested for the exercise of the competent authority's responsibility of supervising the bodies said subsection (a);

(2)the competent authority certified that an obligation of confidentiality, similar to the provisions of section 50A, applies to it, or it undertook not to transmit the information or document to others.

(c)The Controller shall not convey aforesaid information or documents if it was determined that their delivery is liable to interfere with a pending investigation or with national security.

Extracts from Joint Investment Trust Law, 5754-1994

Functions of the board of Directors

18. The functions of the board of directors of a fund manager shall be, *inter alia*:

(1) To establish the investment policy of the fund, as defined in the fund agreement and the prospectus, and to modify it, at the board of directors' discretion;

(2) To appoint a general manager;

(3) To supervise the functioning of the general manager and to examine the manner in which he executes the decisions of the board of directors;

(4) To examine the results of the fund's activity, including the yield achieved and the changes in the composition of the fund's assets and of its liabilities, in accordance with reports that the general manager shall submit to it at its request;

(5) To approve the internal controls and the internal enforcement program.”

(5a) To appoint an internal auditor as proposed by the audit committee, to approve the internal auditor's work plan as recommended by the audit committee, and to discuss the internal auditor's findings and the ways of correcting any deficiencies he found;

(5b) To discuss whether the fund manager is complying with the terms of the authorization to act as a fund manager, as stipulated in section 13;

(6) To consider any transaction that the Minister of Finance has determined in regulations to belong to a type of transactions that are significant for the fund, or to belong to a type of transactions that may involve a conflict of interests; in this respect, a 'significant transaction' shall mean a transaction which is significant because of its size in relation to the size of the fund, the risk involved therein or the class of asset involved in the transaction; a 'conflict of interests' shall mean a conflict between the interest of the unit holders and the interest of one or more of the following: the holders of units in another fund managed by the fund manager, the fund manager, anyone employed by the fund manager, a principal shareholder in any of them and a company controlled by such a principal shareholder;

(7) To consider any transaction that the trustee has determined, pursuant to section 78(b), to be significant for the fund or to involve a conflict of interests;

(7A) To consider an off-floor transaction or a transaction outside a regulated market that the Minister of Finance has determined in regulations to belong to the type of transactions that are the said type of transactions, which are required to be considered;

(8) To prescribe procedures with respect to -

(a) A proper process for making decisions with regard to the fund's investments;

(b) Carrying out internal control of investment management;

(c) The management of the funds that are under the fund manager's management, without discriminating between them.

(d) The management of the fund's risks in accordance with the policy established.

(e) The proper management of the work of the board of directors and its committees;

(f) Preparations for DRP - disaster recovery plan and BCP - business continuity plan;

- (9) To establish a procedure for contracting with a brokerage firm as described in section 69(a), and to discuss contracting with a brokerage firm through a tender, as described in section 69(b), or without a tender, as described in section 69(d).
- (10) To discuss any subject of material importance to the fund manager's operations or to its supervision and control.
-

20A. (a) The board of directors of a fund manager shall appoint an audit committee from among its members (in this Law – the audit committee).

(b) The functions of the audit committee will be the following:

- (1) To propose to the board of directors a candidate for the position of internal auditor, to discuss the work plan proposed by the internal auditor and to submit its recommendations to the board of directors regarding the plan;
- (2) To discover shortcomings in the fund manager's activity, through the internal auditor and through other control and supervision organs, and to propose ways of correcting them to the board of directors;
- (3) To examine the fund manager's internal audit system and the internal auditor's functioning, and to determine whether he has the resources and tools that are required to carry out his function;
- (4) To decide whether to approve actions to be taken by the fund manager, which the Minister of Finance has established in regulations will require the committee's approval.
- (5) To discuss contracting with a brokerage firm through a tender, as described in section 69(b), or without a tender – as described in section 69(d).

(c) The audit committee will have at least three members, and all the external directors will be members of it and will comprise a majority of its members; the chairman of the committee will be an external director;

(d) The following may not be members of the audit committee: the chairman of the board of directors of the fund manager or any director employed by the fund manager or who provides it with services on a regular basis, or the controlling shareholder in the fund manager or a relative of such controlling shareholder;

(e) The internal auditor shall receive notice of the holding of audit committee meetings and may participate in them.

(f) The internal auditor may demand that the chairman of the audit committee convene the committee to discuss a matter which the internal auditor shall specify in his or her request, and the chairman shall convene the committee within a reasonable time following the date of the demand, if the chairman believes there is a reason to do so.

(g) The audit committee shall hold a meeting with the internal auditor alone at least once each year.

(h) The audit committee's meetings shall be held at least once every three months.

(i) A legal quorum for a meeting of the audit committee shall consist of at least three members, including an external director.

(j) Minutes shall be kept at audit committee meetings, which will indicate the names of those present, the main points of the discussion and the resolutions adopted; the minutes will be made available for review by any director of the fund manager.

Supervision of the ISA

97. (a) The fund manager and the trustee will be subject to the ISA's supervision regarding the fulfillment of their duties pursuant to this Law.

(b) The ISA may, for the purpose of carrying out the supervision described in sub-section (a), issue instructions regarding the conduct of fund managers and trustees, their corporate officers and all those employed by them – all in order to ensure the proper management of the fund manager and the trustee and to protect the interests of the unit holders; these instructions may be issued to all fund managers and trustees or to a specific type of them;

(c) The ISA may, for the purpose of carrying out the supervision described in sub-section (a), authorize a party that is not an ISA employee to conduct an audit of a corporation which is subject to the provisions of this law, and to demand documents and information relating to the corporation's business, which are required for the purpose of carrying out such party's function.

(d) A party that has been authorized pursuant to sub-section (c) will not disclose the content of any information or document that such party received by virtue of its function, other than for the purpose of the audit, or to the Chairman of the ISA or to an ISA employee, pursuant to an instruction from the Chairman of the ISA; nothing in this provision will prevent a disclosure at the request of the Attorney General for the purpose of a criminal trial or pursuant at the request of a Court;

Application of the ISA's authority

97A.(a) In this section –

“Violation” – any of the following:

- (1) A violation as defined in section 114;
- (2) A violation as defined in section 119;

“Offence” – any of the following:

- (1) An offence pursuant to this Law;
- (2) An offence pursuant to sections 284, 290, 291, 415, 423, 424, 424A and 425 of the Penal Law, which has been committed in connection with an offence pursuant to paragraph (1);
- (3) An offence pursuant to sections 3 and 4 of the Prohibition of Money Laundering Law – 2000, which has been committed in connection with an offence pursuant to paragraphs (1) or (2);
- (4) An offence pursuant to sections 240, 242, 244, 245 or 246 of the Penal Law, which has been committed in connection with an investigation or a legal proceeding regarding an offence pursuant to paragraphs (1) through (3).

(b)(1) The Chairman of the ISA or an ISA employee who has been authorized for such purpose in writing, may, in order to ensure the implementation of this Law, or if there is a reasonable basis for assuming that a violation has been committed or if a suspicion has arisen regarding the commission of an offence:

- (a) Require of any person that they provide any information or document relating to the fund manager's or trustee's business, or relating to such violation or offence;
- (b) After identifying themselves, enter into any place in which the Chairman or employee has a basis for believing a supervised party's activity is taking place, as defined in the Securities Law, and which does not serve exclusively as a residence, and demand documents such as those

described in sub-paragraph (a); however, no such document may be seized if a copy thereof will suffice.

(2) The provisions of section 56A(b) of the Securities Law will not apply with regard to the return of a document provided to the ISA pursuant to paragraph (1).

(c) The provisions of sections 56A1 through 56E of the Securities Law will apply, *mutatis mutandi*, with regard to an offence and with the following change as well: in section 56C2, the words “paragraphs (3) or (4) of the definition of a ‘securities violation’” will be read as if the text was “paragraphs (2) or (3) of the definition of an ‘offence’ as defined in section 97A of the Joint Investments Law”;

Internal auditor

99A. (a) The provisions of sections 3(a), 4(b), 8, 9, 10 and 12 of the Internal Audit Law, 5752-1992, shall apply to an internal auditor appointed under section 18(5a), *mutatis mutandis*.

(b) The internal auditor shall examine, *inter alia*, the propriety of the acts of the fund manager with regard to compliance with the provisions of the law, proper business procedure and the procedures stipulated by the board of directors of the fund manager pursuant to section 18(8).

(c) The internal auditor shall report his findings to the chairman of the board of directors, to the audit committee, to the general manager and the trustee; if the board of directors does not have a chairman, the internal auditor shall report his findings to the board of directors of the fund manager and of the trustee.

Extracts from International Legal Assistance Law, 5758-1998

The authority competent to accept requests for legal assistance and its powers

3. (a) The authority competent to accept requests for legal assistance from other states and to decide on them is the Minister of Justice (hereafter: Competent Authority).

(b) The Competent Authority may approve implementation of another country's request for legal assistance, refuse it, approve it in part, stay or delay its implementation, make its implementation conditional or postpone the decision until additional information or material about the request is received from the requesting state.

(c) The Minister of Justice may delegate his powers under this section – except for the power to refuse a request on behalf of another state – to a public servant, with the concurrence of the Minister in charge of that public servant; notice of a delegation of powers shall be published in Reshumot.

Request for legal assistance from another state

4. (a) The Competent Authority shall consider a request for legal assistance from another state, if the following conditions have been met:

(1) the request was submitted on behalf of the authority designated in that state as the Competent Authority for matters of legal assistance (in this Law: Foreign Competent Authority);

(2) notification of such a designation was delivered to the Competent Authority in Israel on behalf of the Foreign Competent Authority.

(b) If the request is on behalf of one of the bodies enumerated in Schedule One, then the request shall be submitted by an agent authorized on its behalf.

(c) The Competent Authority shall consider a request for legal assistance in connection with a criminal matter, if the request also specifies the following:

(1) the type of proceeding for which assistance is requested;

(2) the facts that constitute the basis for the suspicion that the offense that is the subject of that request was committed, and the connection between those facts and the requested assistance.

(d) If the request is in connection with the prevention of an offense – then the Competent Authority shall consider the request only if the connection between the requested assistance and the facts on which the request is based has been proven.

Refusal of request

5. (a) The Minister of Justice may refuse a request, if one of the following holds true:

(1) the act is liable to prejudice Israel's sovereignty, security, public order, public welfare or safety, or some other vital interest of the State;

(2) the request for legal assistance is for an offense that is political in nature or for some other offense that is connected to an offense of a political nature;

(3) the request for legal assistance is connected with a proceeding, the purpose of which is to cause harm to a person because of his political opinions or because of his origin or because he belongs to a certain race, nation, religion, sex or social group;

(4) the request for legal assistance is for a military offense or for a fiscal offense;

(5) the request for legal assistance is on a criminal matter, and under Israel Law it is not possible to perform an act similar to the requested act;

(6) the requesting state refrains from performing similar acts on requests by the State of Israel or by Israel citizens, or it does not extend to them facilities like the facilities extended under this Law;

(7) performance of the act involves an unreasonable burden on the State.

(b) If the Minister of Justice refused a request for legal assistance or for the performance of an act under it, then he shall inform the requesting state of the reasons for the refusal.

Postponing the time for implementation of a request for legal assistance or staying its execution

6. (a) (1) The Competent Authority may postpone the time for the implementation of an act of legal assistance, if its implementation is liable to –

(a) interfere with the conduct of a pending criminal proceeding;

(b) cause unreasonable harm to some other legal proceeding;

(2) if the Competent Authority decided to postpone the time for the implementation of an act of legal assistance, as said in paragraph (1), then notice thereof shall be delivered to the requesting state, stating the estimated time when it will be possible to perform the act, and the act shall be performed only if the requesting state gave notice that it is interested in its being performed at the stated time.

(b) If the Competent Authority concluded that the evidentiary basis of the request for legal assistance on a criminal matter does not make it possible – under Israel Law – to perform an act similar to the requested act, then the Competent Authority may stay performance of the act until the evidentiary basis has been completed; if the Competent Authority decided to stay performance of the act, then notification thereof shall be delivered to the requesting state and the act shall not be performed until the evidentiary basis is completed.

(c) The Court may postpone the time for performing an act of legal assistance on a criminal matter or stay its performance, if the circumstances specified in subsections (a) or (b) hold true.

Implementation of request for legal assistance

7. If the Competent Authority approved another state's request for legal assistance, then it shall transmit the request for implementation as prescribed by this Law, and it shall transmit the results of the implementation to the requesting state; if it was not possible to implement the request, then the Competent Authority shall deliver a reasoned notification thereof to the requesting state.

Subject to provisions of Law

8. (a) Any act in Israel in accordance with a request for legal assistance by a foreign state shall be performed in the manner in which an act of its kind is performed in Israel, and the provisions of enactments that apply in Israel to an act of its kind shall apply to it, except if a different provision is made in this Law or under it.

(b) Any act on a foreign state's request for legal assistance shall be performed in Israel only if the act is permissible under Israel Law.

(c) The requested act shall be carried out in a manner that complies with the requesting state's request, as long as the act is permitted under Israel Law.

(d) If the requested act is in connection with a criminal matter, then the provisions of this Law shall apply, as if the offense in respect of which the act is requested was committed in Israel.

Jurisdiction of Court and of Governmental authority

9. (a) The Court competent to perform an act under this Law is the Magistrates Court, and that also if the requested act is not within the sphere of its jurisdiction, unless there is a different provision in this Law.

(b) The authority to perform any act required under this Law in order to extend legal assistance to another state is vested in every Governmental authority, if the act is of the category of acts which it is competent to perform; no act shall be performed by a Governmental authority in order to extend legal assistance to another state, if it is of a category of acts which the authority is not competent to perform under Israel Law.

Specific use of evidence

10. Evidence or information obtained in Israel under a foreign state's request for legal assistance in connection with a criminal matter shall be transmitted only after the Competent Authority received assurances from the requesting state that the evidence or information will be used only in the criminal matter for which it was requested, and that other use will be made of them only with the advance approval of the Competent Authority in Israel.

Confidentiality

11. (a) If it is requested to do so, the Competent Authority shall keep a foreign state's request for legal assistance on a criminal matter and its results confidential, subject to the provisions of Israel Law.

(b) If it is not possible to carry out the request while maintaining confidentiality, then the Competent Authority shall so inform the requesting state and the request shall be carried out only with the approval of that state; for this purpose, "request for legal assistance" includes its contents or information about it, as well as the documents and information attached to it.

(c) The Competent Authority may make the transmittal of evidence or of information in connection with a criminal matter conditional on the receipt of a sufficient undertaking from the requesting state, that it will apply to them the rules of confidentiality in effect in that state for evidence or information of that kind, including provisions on the protection of the privacy of any third party, whose name or affairs are involved in the transmitted evidence or information.

Provisions on legal secrecy

12. (a) In order to implement the provisions of this Law, the Competent Authority may order evidence or information on a criminal matter to be transmitted to another state, if an authority in Israel, equivalent to the authority in the requesting state that requests the information, would have been entitled to receive the said information.

(b) Subject to the provisions of this Law, the provisions of subsection (a) shall apply notwithstanding the provisions of any enactment on the secrecy of information or on restrictions of the delivery of information.

Article Two: Taking Evidence

Request for taking evidence in Israel

15. On request by another state, the Competent Authority may apply to the Court that it order evidence to be taken; if the request concerns the presentation of an object and its transfer to another state, then the Competent Authority shall specify whether it waives return of the object to Israel.

Authorization to take evidence

16. (a) When a request to take evidence has been submitted, then the Court may order that the evidence be taken before it or before a Registrar.

(b) If the request to take evidence is in connection with a civil matter, then the Court may order – for reasons which it shall specify – that the evidence not be taken before it or before a Registrar, but before a person registered as an attorney under the Chamber of Advocates Law 5721-1961 (hereafter: Chamber of Advocates Law), who engaged for at least five years – continuously or in the aggregate – in the legal profession, at least two years of that in Israel; the provisions of this Article shall apply, mutatis mutandis, to the taking of the evidence.

Right to representation

17. A person not registered as an attorney under the Chamber of Advocates Law may also appear before the Court and ask questions in a proceeding under this Article, on condition that he proved to the Court's satisfaction that he is qualified to interrogate a witness on behalf of the party or to represent a party in the state that requested the evidence to be taken under the Law in that state.

Taking the evidence

18. (a) If a person was summoned by the Court for the taking of evidence, then he shall bear all the obligations of a person summoned to testify before a Court in Israel, and he shall have all the rights of an aforesaid witness.

(b) If the taking of evidence is connected to a criminal matter, then the Court may enable the person in whose the respect the proceeding is held or his representative, and a representative of the requesting state to be present when the evidence is taken, to present arguments to the Court and to put questions to the witness.

(c) The Court may order, on request by a party or by the representative of the requesting state, that the taking of evidence not be conducted according to rules of procedure or rules of evidence that apply to trials of the same kind.

(d) The Court shall record in the protocol the questions asked when evidence was taken and the answers of the person interrogated; in respect of a request to present an object, the Court shall record any discussion that is connected to the presentation.

Order to transmit object or its substitute to another state

19. (a) A Court that hears a request to present an object may order that a copy, photograph or other substitute of the object (in this Article: substitute of object) be transmitted to the requesting state (in this Article: order to transmit substitute of object); if the Court made an aforesaid order, then it shall certify by its signature and seal that the copy, photograph or other substitute is correct.

(b) If the request asked for the transmittal of the object and not of its substitute, then the Court may order that it be transmitted in accordance with Israel Law (in this Article: order to transmit object); a said order shall be made after the Court heard the arguments of every person who claims a right in the object, if he is known.

(c) If an object was presented by a Governmental agency that carries out investigations, then the person from whom the object was taken shall also be summoned to the hearing under this section, as well as every person who claims a right in the object, if he is known.

(d) The Court that made an order under this section shall prescribe, by order, the purpose of the transmittal, stating particulars of the proceeding in respect of which the object was requested; if it made an order to transmit the object, then in it it shall also prescribe the conditions of the transmittal, including the object's protection and the time when it shall be returned to a person designated in the order.

(e) If a substitute of the object was transmitted to the requesting state, then its return shall not be requested, unless the Court prescribed otherwise; if the object was transmitted to the requesting state, then the Court may order that it not be returned, all in accordance with Israel Law.

(f) If the Court decided not to make an order for the object's transmittal, then it shall prescribe in its decision to whom the object is to be returned, all in accordance with Israel Law; the Court shall give notification about this to the Competent Authority.

Transmittal of evidence to the requesting state

20. (a) The Court that took the evidence under this Article shall transmit to the Competent Authority –

(1) a copy of the protocol which it prepared, certified by it;

(2) a copy of the order which it made about an object or substitute of an object;

(3) the object or its substitute, if it ordered that it be transmitted to the requesting state.

(b) The Competent Authority shall inform the requesting state of the time for the return of the object, if it is to be returned, and every condition for its transmittal, as the Court prescribed; the Competent Authority may delay transmittal of the object until it receives an undertaking from the requesting state to comply with a said condition.

Return of object and presumption of its integrity

21. (a) When the object has been returned, then the Competent Authority shall return it to the person from whom it was taken, or do with it as the Court prescribed.

(b) If an object was transmitted to another state under this Article and returned to Israel, then it shall be presumed that it was returned in its condition before the transmittal; whoever claims otherwise shall bear the burden of proof.

(c) If the object was damaged in consequence of its transmittal to the requesting state, then the Court may order the injured person to be compensated by the State Treasury.

Article Three: Transfer of a Person to Another State to Testify or to Assist in an Investigation

A person's appearance in another state

22. If another state requested that a person in Israel appear in a legal proceeding in that State for testimony, identification or confrontation, or in order to participate in some other investigative act, then the Competent Authority may act for compliance with the request, if all the following hold true:

- (1) the appearance is requested in connection with a criminal matter;
- (2) the person agreed to appear in the requesting state for the acts specified in its request;
- (3) if the request for a person's appearance is connected to his military or defense occupation – that approval was given by the Minister of Defense or by a person authorized by him for that purpose;
- (4) the requesting state gave sufficient undertakings on the matters specified in section 26.

Transferring a prisoner or a person restricted by order to another state

23. (a) If another state requested that a person appear in connection with a criminal matter, and if the summoned person is a prisoner, then – if the conditions said in section 22 have been met – the Competent Authority may apply to the Court that it approve his appearance in the requesting state for a period and on conditions that it shall prescribe; if the summoned person is a person restricted by order, then the Competent Authority may approve his appearance in the other state after coordinating with the authority in charge of implementing the restricting order.

(b) The Court or the Competent Authority, as the case may be, shall in their decision set the length of the stay abroad of the person summoned under this section, taking into account the time required for his transfer to the requesting state and for his return, and also for the performance of the acts for which that person was summoned, on condition that that period not exceed six months.

(c) The Court or the Competent Authority, as the case may be, may from time to time extend that person's stay for additional periods, on condition that the total of all the additional periods not exceed six months, and all that if the person agreed thereto.

(d) The Court's decision under this section shall constitute legal authorization for removing the prisoner from his place of imprisonment in Israel and for keeping him in legal detention through the entire period that he is outside the place of his imprisonment in Israel; the Competent Authority's decision shall constitute authorization for the departure from Israel of a person restricted by order, and for the extension of the order as said in subsection (g).

(e) The period during which a prisoner is under detention outside the place of his imprisonment in Israel because of the request of another state shall – for all intents and purposes – be deemed a period during which the prisoner is under lawful detention in Israel, and the provisions of all Israel enactments on legal detention shall apply to him.

(f) The period during which a person under license or a person on probation is abroad under this section shall, for all intents and purposes, be deemed a period during which he is under license or on probation in

Israel, and the provisions of any Israel enactment in connection with the violation of a license or of probation shall apply to him, even if the violation was abroad; if a person was unable to comply with a condition of the license or probation order because he was abroad, that non-compliance shall not constitute a violation of the license or probation order.

(g) (1) The period during which a person obligated to perform service labor or military labor is abroad under the provisions of this section shall not be counted as part of the period during which he must perform that labor.

(2) The period during which a person restricted by an order to perform service for the benefit of the community is abroad under the provisions of this section shall not be counted as part of the period during which the order is implemented and shall not be counted part of the period during which he must conclude implementation of the order.

(3) The interruption of service labor, military labor or service for the benefit of the community in consequence of a person being abroad as said in paragraphs (1) or (2) shall not constitute a violation of the restricting order; if the restricting order was violated for some other reason, then the provisions of Israel Law shall apply to the violation.

(4) For purposes of this subsection, "restricting order" – as said in paragraphs (3) to (5) of the definition of restricting order in section 1.

The person's consent

24. (a) A person's consent to his transfer to another state under this Article shall be given in writing.

(b) If the person is a minor, a legal incompetent or mentally impaired in his intellectual capacity, then the consent shall be given by his guardian; if the person has no guardian, then the consent shall be given by the Court.

(c) Before the Court approves a prisoner's transfer to another state under this Article, the prisoner shall be brought before the Court and the Court shall explain to him his right not to agree to his transfer.

(d) Before the Competent Authority approves the appearance in another state of a person restricted by restricting order, that person shall come before it and the Authority shall explain to him his right not to agree to appear in the requesting state, as well as the legal significance of his appearance, as said in section 23(f) and (g), as the case may be.

Release of prisoner

25. If a prisoner was transferred to another state under this Article and – before he was returned to Israel – it became obligatory under Israel Law that he be released, then the Competent Authority shall so inform the requesting state immediately, request his immediate release and see to it that the requesting state do all that is necessary in the matter, including payments as said in section 26(a)(4).

Undertakings by requesting state

26. (a) The undertakings of the requesting state under section 22(4) shall be on the following subjects:

(1) the person summoned to testify in a legal proceeding or in order to assist in an investigation (in this section: the person summoned) –

(a) shall not be interrogated, shall not be placed on trial, shall not be arrested, shall not be imprisoned, shall not be punished and his freedom shall not be restricted in any manner whatsoever for any act or omission that occurred before he entered the requesting state's jurisdiction in consequence of the request under this Article;

(b) shall be required to testify only in the legal proceeding for which he was summoned, and shall be required to assist only in the investigation for which he was summoned;

unless he left the requesting state and returned to it of his own will, or if 30 days passed since he received official notification from the requesting state that his presence is no longer necessary and he could have left the requesting state, but chose to remain in that state;

(2) if the person summoned is a prisoner – that he will be kept in detention, under conditions as similar as possible to those under which he was in Israel, during the entire period during which the prisoner is within the borders of the requesting state, and that if the Competent Authority did not give notice that the prisoner is to be released;

(3) the immediate return of a person summoned under section 23 to Israel, in accordance with arrangements to be made with the Competent Authority, when his presence is no longer necessary;

(4) payment of travel and living expenses of the person summoned under section 22 or 23, including medical expenses and any other expense required in the Competent Authority's opinion during the period when the person summoned as aforesaid is abroad;

(5) any other undertaking the Competent Authority deems necessary under the circumstances of the case.

(b) If the requesting state did not pay the expenses said in this section to the summoned person, then those expenses shall be paid by the State Treasury.

Transit of foreign prisoner through Israel and transfer of prisoner to Israel

27. (a) The Competent Authority may – after consultation with the Minister of the Interior – permit another state to move a prisoner through Israel in transfer to a third state in consequence of a request for legal assistance.

(b) If the Competent Authority approved the transit of a prisoner, then its approval shall be legal authorization for keeping him in detention in Israel during the period of the transit, and the Laws of the State of Israel shall apply to him for this purpose, including the provisions of section 50(b).

(c) If a prisoner was transferred to Israel according to a request of another state, in order to participate in the implementation of that state's request, then the provisions of this Article shall apply to him, *mutatis mutandis*.

(d) The transit of a prisoner said in subsection (a) through the airspace of the State of Israel, without a stopover in Israel, does not require approval.

Article Four: Investigative Acts

Request by another state to carry out investigative acts

28. (a) If the Competent Authority decided to approve another state's request that an investigative act be carried out, then the request shall be transmitted for implementation to whoever is authorized to perform in Israel an act of the kind requested.

(b) The Competent Authority may prescribe that the results of the act or anything else connected to it be transmitted directly to the requesting state by the person who performed the act; the authority may retract its decision under this subsection at any time.

(c) If it was not possible to perform the requested act, then notice thereof shall be given to the Competent Authority or to the requesting state, with particulars on the reasons that prevented its implementation.

(d) If under Israel Law a judicial order is necessary for the performance of an act of the kind requested, then the act shall only be performed in accordance with a said order.

Request to conduct search and seizure in Israel

29. (a) If another state submitted a request to discover evidence or an object, or to seize and transfer them to it for the purposes of a criminal matter in that state, then the Competent Authority may – in order to discover the evidence or the object – apply to the Court for an order to present the object, or for a warrant to search a certain place or to conduct a body search of a person or a body search of a suspect, and also for an order to seize the evidence or the object and to transfer them as requested; a copy of the request of the requesting state and all the material or information connected thereto shall be attached to the application to the Court.

(b) The provisions of section 11(a) shall apply to applications under subsection (a) and the Court shall hear them in camera.

Hearing on transmittal of object

30. When an object has been seized, then the Competent Authority may submit an application to the Court that it permit its transmittal to the requesting state; the person from whom the object was taken, as well as every person who claims a right to it, if he is known, shall be summoned to the hearing of the application; the provisions of sections 19 to 21 shall apply to the provisions of this section.

Secret monitoring

31. (a) If another state requested that secret monitoring be carried out in connection with a criminal matter pending in that state, then the Competent Authority may apply for an order on this matter from the District Court, in accordance with the provisions of the Wiretapping Law 5739-1979.

(b) The Competent Authority shall apply for an order for secret monitoring only in connection with one of the following:

(1) an offense which, under the laws of the requesting state, is punishable by more than three years imprisonment;

(2) an offense for which – had it been committed in Israel – secret monitoring could have been permitted;

(3) for the confiscation of property as said in Article Six.

Article Five: Transmittal of Information

Another state's request for information

32. (a) If another state requested information in connection with a criminal matter in that state, if a public authority in Israel has the information, and if the information is of the kind that may be transmitted to another public authority in Israel, then the Competent Authority may order that the information be transmitted for this purpose.

(b) Transmittal of information, as said in subsection (a), may also be at the Competent Authority's initiative.

Article Six: Confiscation of Property

Request by another state to enforce a foreign confiscation order

33. (a) At the request of another state the Competent Authority may apply to the Court for the enforcement of a foreign confiscation order of property located in Israel, if all the following hold true:

(1) the order was made because of an offense which – had it been tried in Israel, would constitute one of the offenses enumerated in Schedule Two (hereafter in this Article: the offense);

(2) the Competent Authority found that the property, in respect of which the foreign confiscation order was made, was used or was intended to be used as a means for the commission of an offense or as a means to make commission of an offense possible, or that it was directly or indirectly obtained as pay for the offense or as a result of the commission of the offense.

(b) If the Competent Authority decided that – in respect of the property for which the foreign confiscation order was handed down – the condition specified in subsection (a) holds true, then it shall transmit the request to the District Attorney, so that he shall examine whether the evidence, on the strength of which the foreign confiscation order was made, would have sufficed for the issue of a confiscation order under Israel Law; if so, then he shall submit an application to the District Court, within whose jurisdiction the property or part of it is located, to issue an order for the enforcement of the foreign confiscation order.

(c) If the District Attorney found that the evidence would not have sufficed under Israel Law for the issue of a confiscation order, then he shall so inform the Competent Authority.

Order for enforcement of foreign confiscation order

34. (a) If the Court concluded that the conditions specified in section 33(a) and (b) are met by the foreign confiscation order, then it may order the enforcement of a foreign confiscation order (hereafter: enforcement order), and when it has done so the foreign confiscation order shall be treated, for all intents and purposes, like a confiscation order issued in Israel.

(b) The Court that hears the request for the enforcement of a foreign confiscation order handed down after a person was convicted may depend, mutatis mutandis, on the assumption of ownership prescribed in section 31(6) of the Dangerous Drugs Ordinance (New Version) 5733-1973 (hereafter: Dangerous Drugs Ordinance) in respect of the convicted person's property.

(c) If the Court decided that the foreign confiscation order should not be enforced, then its reasoned decision shall be brought to the Competent Authority's knowledge.

Restrictions on the confiscation of property

35. (a) The Court shall issue an enforcement order only after it has given any person who claims a right to the property, if known, an opportunity to present his arguments.

(b) The Court shall not issue an enforcement order if the person who claims a right to the property proved that it was used in the offense without his knowledge or without his consent, or that he acquired his right to the property for consideration and in good faith and without the possibility of knowing that it was used in or procured by an offense.

(c) The Court shall issue an enforcement order only if it concluded that the owner of the property and his relatives who live with him will have reasonable means of maintenance and reasonable housing.

(d) The Court shall not order the confiscation of movables that cannot be attached according to section 22 of the Execution Law 5727-1967.

Cancellation of confiscation

36. (a) If a person claims a right to property confiscated under this Law (hereafter: applicant) and if he was not summoned to present his arguments about an enforcement order, then he may apply to the Court that made the order that it cancel the order.

(b) A request for the cancellation of an enforcement order shall be submitted within two years after the order was made, or by a later date to be set by the Court, if it concludes that it is just to do so.

(c) If the Court cancelled the enforcement order, then it shall order that the property be returned to the applicant or that its consideration be paid out of the State Treasury, if the property cannot be returned or if the applicant agreed to accept its consideration; if the Court ordered the consideration for the property to be paid, then it shall determine the amount to be paid by order, in accordance with the property's open market value on the day on which the enforcement order was made or on the day on which the payment order is made, whichever is the higher; the payment order shall be made not later than six months after the day on which the Court decided to cancel the enforcement order.

(d) If the Court cancelled the enforcement order, then it may order that a fee be paid for use of the property during the period in which the property was taken from the applicant, as well as payment of compensation for damage or depreciation caused to the property in that period.

(e) An order to return property or a payment order shall be implemented as soon as possible and not later than 60 days after it was made.

Confiscation of other property

37. If the Court made a confiscation order, and if the property was transferred to a purchaser in good faith or was secreted or its value was reduced by an act or omission of the person against whom the order was made, or if it was mingled with other property and cannot be separated without difficulty, then the Court may order other property of the same person to be confiscated, equal in value to the property the confiscation of which was ordered in the enforcement order;

the Court may make an aforesaid order on application by the person against whom the order was made.

Appeal

38. An appeal by a person who claims a right in the property confiscated under this Law shall be in the manner in which a decision in a civil matter is appealed.

Request of other state for temporary relief

39. (a) If another state requested that temporary relief be provided in order to secure property located in Israel, in connection with which a legal proceeding is or will soon be in progress before a foreign judicial authority for an act which – had it been committed in Israel – would be one of the offenses enumerated in Schedule Two, then the Competent Authority may transmit the request to the District Attorney, if the conditions specified in section 33(a) and (b) have been met.

(b) A District Attorney may apply to the District Court for a temporary order that surety be provided on behalf of the person in respect of whose property the order is to be made or on behalf of some other person who holds the property, attachment orders or instructions on other steps to make certain that implementation of the confiscation will be possible, including instructions to the Administrator General or any other person about the temporary management of the property (in this Article: temporary order).

(c) The Competent Authority shall transmit a request said in subsection (a) only if the requesting state gave sufficient undertakings for the payment of compensation, as said in section 40(g).

Temporary order

40. (a) When a Court issued a temporary order at the request of another state, then it shall prescribe in the order the period of its effect, on condition that the period not be longer than six months.

(b) If the hearing of the legal proceeding before the foreign judicial authority was not begun, or if it was not concluded by the date on which the temporary order lapses, then the Court that issued the order may extend the effect of the temporary order for one additional period of not more than six months after the day on which the extension is made, if the District Attorney so requested on the basis of the requesting state's request.

(c) The District Attorney's request under subsection (b) shall be accompanied by notice from the foreign judicial authority, before whom the legal proceeding is conducted, stating the reasons that justify the extension order and the estimated date for the conclusion of the legal proceeding in the requesting state.

(d) If the other state requested a temporary order before an indictment was filed with a foreign judicial authority or before some other application for a confiscation order was submitted to it, because there are reasonable grounds to assume that the property in respect of which the order is requested is liable to disappear or that action may be taken with it that will prevent implementation of the confiscation, then the Court may issue a temporary order, the effect of which shall not be longer than three months; the Court is competent to extend the effect of the order for one additional period of three months, for special reasons that shall be recorded.

(e) The Court may also issue a temporary order as said in this section ex parte, if it believes that there are suspicions of immediate activity with the property, which would frustrate its confiscation; the effect of a temporary order issued ex parte shall be for not more than ten days, and the application shall be heard as soon as possible in the presence of the parties during the period of the order's effect; the Court may – for reasons that shall be recorded – extend the effect of a temporary order that was issued ex parte for one additional period of not more than ten days.

(f) A decision by a Court under this section may be appealed before the Supreme Court, where the appeal shall be heard by a single judge; the appeal shall be submitted within 30 days after the appellant was informed of the decision.

(g) If the Court made a temporary order under this Law and the property was not confiscated, then the Court may order that a person injured by the said order be compensated by the State Treasury.

Confiscation of property

41. The Court's decision on a confiscation under this Law shall constitute authorization for the Administrator General to seize the confiscated property; the confiscated property or its consideration shall be transferred to the Administrator General and deposited by him in the fund established under section 36H(a) of the Dangerous Drugs Ordinance.

Handling the property

42. Notwithstanding the provisions of section 41, the Minister of Justice may – in consultation with the Minister of Finance – prescribe that the property confiscated under this Article, or part of it, or its consideration be transferred to the state, where the foreign confiscation order was made.

Undertaking by the requesting state

43. Notwithstanding the provisions of section 42, the property shall only be transferred to the requesting state if that state provided an undertaking that – if the confiscation order in respect of the property transferred to it is cancelled in Israel – the requesting state will bear all the expenses specified in section 36.

Investigative act

44. The provisions of Article Four shall apply to an investigative act required in order to obtain an enforcement order and to execute it.

CHAPTER FOUR: REQUESTS FOR LEGAL ASSISTANCE ON BEHALF OF THE STATE OF ISRAEL

The authority competent to request legal assistance

45. (a) The authority competent to submit requests for legal assistance on behalf of the State of Israel is the Attorney General (hereafter – the Authority).

(b) The Attorney General may delegate his power under this section to a public servant, to whom power was delegated under section 3(c).

Service of legal document in another state

46. (a) The legal authority may request that a legal document be served on a person who is in another state.

(b) If a legal document connected to a criminal matter was served on a person who is in another state, then that service does not impose any obligation under Israel Law on that person if he does not comply with the contents of the document, unless the person enters Israel and the document is again served on him.

Taking evidence on behalf of the State of Israel

47. The Authority may submit a request to another state that it take evidence, including the transmittal of an object for purposes of its presentation in Israel, if the Court certified that the evidence is required for a legal proceeding in Israel; for purposes of this section and if the request is for a pending proceeding, then "Court" – the Court that hears the proceeding with which the request is connected.

Specific use of evidence

48. If the State of Israel submitted a request for legal assistance in connection with a criminal matter, then the evidence or information received shall be used only in the criminal matter, in connection with which they were received; use of the evidence or information for purposes of another criminal matter requires advance approval from the state requested.

Appearance for testimony in Israel

49. The Authority may request another state to make arrangements for a person in that state to appear in Israel for the purposes of a legal proceeding that is being conducted in Israel, for testimony, identification or confrontation or in order to participate in some other investigative act.

Holding a foreign prisoner in Israel

50. (a) If a foreign prisoner was delivered to a governmental agency in Israel in consequence of a request for legal assistance under this Law, and if the state from which he was transferred requested that the prisoner remain in custody, then during his stay in Israel the prisoner shall be held in custody for the period which that state requested in a place to be prescribed by the Commissioner of Prisons; if the state from which the prisoner was transferred gave notice that under its Laws he is to be released, then the prisoner shall be released or returned to that state as soon as possible and not later than 48 hours after the date on which he is to be released according to the notice, all as the Authority shall prescribe.

(b) The request of the state from which the prisoner was transferred, that the prisoner remain in legal custody during the period of his stay in Israel, shall constitute authorization for holding him in custody as aforesaid.

(c) The provisions of the Extradition Law 5714-1954 do not apply to the return of a prisoner, who was brought to Israel under this Article, to the state from which he was transferred.

Defenses and conditions

51. If a person was summoned to appear in a legal proceeding in Israel under section 49, then the provisions of section 26(a)(1) and (3) shall apply to him, mutatis mutandis, and the State shall bear the expenses said in section 26(a)(4).

Request on behalf of the State of Israel for investigative act

52. The Authority may submit a request for an investigative act to another state, on condition that a governmental authority in Israel is authorized to carry out in Israel an act of the kind requested.

Request for search and seizure in another state

53. If the Authority has reasonable grounds to assume that evidence or an object required for an investigative act in Israel is located abroad, then it may request that state to do whatever is necessary in

order to discover the evidence or the object, to seize it and to transmit it to Israel, on condition that a governmental authority in Israel is authorized to carry out in Israel an act of the kind requested.

Request for information on behalf of the State of Israel

54. (a) The Authority may submit a request to another state for information connected to a criminal matter in Israel.

(b) If the Authority submitted a request to another state for information connected to a criminal matter in Israel, then it may consent to conditions for the use of the information, which were prescribed by the requested state, and its consent shall obligate every governmental authority in Israel that receives the information.

Requests on behalf of the State of Israel for the enforcement of confiscation orders and for other relief to safeguard property

55. The Authority may request another state that it enforce an order for the confiscation of property, which was made in Israel in respect of property located in that state; the Authority may also request that relief be granted in that state in order to safeguard property, in respect of which a legal proceeding or an investigative act in connection with one of the offenses enumerated in Schedule Two is in progress in Israel; for this purpose, "order for the confiscation of property" – an order for the confiscation of property made in either a criminal or a civil proceeding in connection with one of the offenses enumerated in Schedule Two.

SCHEDULE TWO

(Sections 33(a) and 55)

A. Offenses under the Dangerous Drugs Ordinance (New Version) 5733-1973, for which the penalty is twenty years imprisonment or more;

B. offenses under sections 3 and 4 of the Prohibition of Money Laundering Law 5760-2000, which were committed with property that is prohibited property within its meaning in section 3 of the said Law;

C. offenses under sections 2, 3 and 4 of the Struggle against Crime Organizations Law 5763-2003;

C1. offenses under sections 8 and 9 of the Financing Terror Prohibition Law 5765-2005;

C2. the following offenses under the Penal Law , when they are connected to acts of terrorism , as defined in the Financing Terror Prohibition Law 5765-2005 (in this Schedule: acts of terrorism), and when the perpetrator of the offense is aware of that connection:

1. offenses under Chapter Seven, except for sections 102(b), 108(b), 117(b), 117(c);

2. offenses under Chapter Eight – Article One, Article One "A", Article Two, Article Three except for section 160, Article Five, Article Six, Article Seven except for sections 174A, 174B, Article Nine except for sections 193, 193A, 194A, Article Eleven except for sections 215(c), 216(a)(1), (2), (3) and (4), 216(b), 217, the opening passage of section 218, sections 220 and 223 and Article Twelve;

3. offenses under Chapter Nine – Article One except for sections 251, 254, 264, 265, 266, Article Three, Article Four except for sections 277, 285 to 288 and 289 and Article Five;

4. offenses under Chapter Ten – Article Two except for sections 303, 304, 311, Article Four except for sections 337 to 340, 341, 343 and 344, Article Seven and Article Eight;
 5. offenses under Chapter Eleven – Article One, Article Two except for sections 394 to 400, Article Three, Article Four, Article Five except for section 413, Article Five "A", Article Six except for sections 416, 417, 424A, 425, 431 and 432, Article Seven except for sections 439, 445 and 446, Article Nine except for sections 449 and 455;
 6. offenses under Chapter Twelve – Articles One and Two;
 7. offenses under Chapter Fourteen;
- D. regulations 84 and 85 of the Emergency Defense Regulations 1945;
- E. sections 2, 3 and 4 of the Prevention of Terrorism Ordinance 5708-1948;
- F. section 12 of the Entry to Israel Law 5712-1952, when the offense is connected to an act of terrorism and the perpetrator of the offense is aware of that connection;
- G. sections 17, 18, 18A, 19, 20 of the Aviation (Offenses and Jurisdiction) Law 5731-1971;
- H. Section 14 of the Aviation (Security of Civil Aviation) Law 5731-1971;
- I. Section 15 of the Dangerous Materials Law 5753-1993, when the offense is connected to an act of terrorism and the perpetrator of the offense is aware of that connection;
- J. offenses under sections 375A and 377A of the Penal Law.

Extracts from the Combating Criminal Organisations Law, 5763-2003

Chapter Two: Offenses

Activist in a criminal organization

2. (a) A person who heads a criminal organization or a person who does one of the following acts in a manner that could promote the criminal activity of a criminal organization shall be liable to imprisonment for 10 years:

(1) he directly or indirectly manages, organizes, directs or supervises activities in a criminal organization;

(2) he directly or indirectly finances activities of a criminal organization or receives financing for the purpose of operating the organization or decides with respect to the distribution of monies in a criminal organization.

(b) A person providing a consulting service to a criminal organization with the object of promoting the criminal activities of the criminal organization shall be liable to imprisonment for ten years.

(c) Where an offense as stated in subsections (a) and (b) has been committed with respect to a criminal organization whose activities also include an offense for which the penalty prescribed exceeds imprisonment for 20 years, the person committing such an offense shall be liable to imprisonment for 20 years.

Offense within the framework of a criminal organization – aggravating circumstance

3. A person committing an offense within the framework of activities of a criminal organization, not being an offense under this Law or an offense for which the penalty prescribed is mandatory life imprisonment, shall be liable to twice the penalty prescribed for such offense, but no more than imprisonment for twenty five years.

Public servant aiding a criminal organization

4. A public servant who abuses his office or powers in a manner that could promote the criminal activity of a criminal organization shall be liable to imprisonment for ten years.

Orders and regulations

Amendment to the Dangerous Drugs Regulation (Ways of Managing the Assets Forfeiture Fund), 5771 - 2011

By virtue of our power under section 36 to the Dangerous Drugs Ordinance [New Version], 5733 - 1973¹⁶, and according to the authority of the Minister of Justice under section 32(a) of the Prohibition on Money Laundering Law, 5760 - 2000¹⁷, in consultation with the Minister of Justice and with the approval of the Constitution, Law and Justice Committee of the Knesset, we hereby enact those regulations:

1. In Regulation No. 1 of the Dangerous Drugs Regulations (Ways of Managing the Assets Forfeiture Fund), 5750 - 1990¹⁸ (Henceforth – The Main Regulations) –

(1) Sub-regulation (a) –

(a) Shall read "the Administrator General Law" instead of "the Law";

(b) The definition "The Council" shall read "according to regulation 11(a) and (a1) instead of "according to Regulation 11(a) of these regulations", as applicable;

(c) The following definition shall follow the "The Fund" definition:

"Prohibition on Money Laundering Law" – Prohibition on Money Laundering Law, 5760 – 2000;";

(d) The definition "Asset" shall read "monetary sanction" after the word "fine";

(e) The following definition shall follow the definition of "Asset":

"Monetary Sanction" - A monetary sanction imposed according to Chapter E of the Prohibition on Money Laundering Law;";

(f) The ending part of the definition of "Fine" shall read "or according to the Prohibition on Money Laundering Law";

(g) The definition of "Property" shall read "according to the Ordinance or the Prohibition on Money Laundering Law" instead of "according to the ordinance";

2. Regulation 2 of the main regulations –

(1) Sub-regulation (a) shall read "according to section 36h to the Ordinance" instead of "a property deposited in the fund";

(2) Sub-regulation (b) shall read "according to section 36j to the Ordinance" instead of "a fine deposited in the fund";

(3) The following shall be included after Sub-Regulation (b):

(c) Property deposited in the fund according to section 23 of the Prohibition on Money Laundering Law shall be registered in the Library according to the name of the person/body/entity claiming a right to it; the entry shall include the details indicated in the forfeiture notification.

(d) A monetary sanction and fine deposited in the fund according to section 23 of the Prohibition on Money Laundering Law shall be registered in the library according to the name of its payer.

¹⁶ The Laws of the State of Israel, New Version 27, Page 526; Book of Laws 5749, Page 80; 5764, Page 14.

¹⁷ Book of Laws 5760, Page 293.

¹⁸ Regulations Compilation 5750, Page 812; 5764, Page 310.

(e) An asset deposited in the fund according to section 23 of the Prohibition on Money Laundering Law shall be registered in the library in a separate entry in relation to an asset deposited according to the ordinance provisions.

(f) Notwithstanding the provisions of sub-regulation (e), an asset which has been deposited in the fund according to the aforementioned section 23, due to court's determination that an offense has been committed according to the ordinance, or an offense which, if committed in Israel, would be an offense as aforesaid, shall be registered in the fund's books in an entry managed according to sub-regulation (a) and (b)";

3. Regulation 3 of the main regulations shall read "of the Administrator General Law" instead of "of the Law".

4. The fund's expenses shall be collected from all the assets deposited therein; However, as for the payment of the forfeiture and actions performed on the assets which were deposited in the fund:

(1) According to section 36h or 36j to the Ordinance – they shall come from those assets";

(2) According to section 23 of the Prohibition on Money Laundering Law – they shall come from those assets."

5. Regulation 5(b) of the main regulation shall read "of the Administrator General Law" instead of "of the law".

6. Instead of regulation 7 of the main regulations it shall read:

"7. (a) The Administrator General shall act in order to divide the fund assets for the purposes listed in section 36h(b) to the Ordinance.

(b) The distribution of the fund assets for the purposes listed in the paragraphs of section 36h(b) to the ordinance, which are specified below, shall be performed according to the instructions of the council for guiding the fund actions solely according to regulation 11(a):

(1) Paragraph (2);

(2) Paragraph (3) – With regards to information or detection of forfeitable property according to the Ordinance;

(3) Paragraph (5) – Regarding the carrying out of the Police and Customs duties according to the Ordinance.

(c) The distribution of the fund assets for the purposes listed in the paragraphs of section 36h(b) to the ordinance, which are specified below, shall be performed according to the instructions of the council established according to regulation 11(a1):

(1) Paragraph (3) – With regards to information or detection of forfeitable property in accordance with section 23 of the Prohibition on Money Laundering Law;

(2) Paragraph (5) – Regarding the carrying out of the Police and Customs duties according to the Prohibition on Money Laundering Law;

(3) Paragraph (6)."

7. In regulation 8 of the main regulations, after sub-regulation (b) it shall read:

"(c) Indemnification of the State Treasury according to sub-regulation (b), in connection with property deposited in the fund according to section 23 of the Prohibition on Money Laundering Law shall be done from assets deposited in the fund according to said section."

8. In regulation 9 of the main regulations –

(1) Instead of "as provided in regulation 8(b)" it shall read "as provided in regulation 8(b) concerning property deposited in the fund according to section 35h of the ordinance";

(2) Its provisions shall be marked with "(A)" and shall subsequently read:

"(b) For the purpose of financing the indemnification payments as provided in regulation 8(b) concerning property deposited in the fund according to section 23 of the Prohibition on Money Laundering Law, the fund shall keep in its hands a cash amount whose ratio in relation to all the cash amounts deposited therein at that moment shall be as the ratio determined by the Minister of Justice from time to time, provided that the total cash amounts deposited in the preserved fund does not exceed 15,000,000 New Israeli Shekels; Deposited moneys exceeding that amount shall be returned to the fund and divided according to those regulations."

9. In regulation 11 of the main regulations –

(1) In sub-regulation (a), in its preamble, it shall read "regarding an asset deposited in the fund according to the ordinance, including an asset as provided in regulation 2(f)";

(2) After sub-regulation (a), it shall read:

"(a1) A council tasked with guiding the fund actions according to these regulations, with regards to an asset deposited in the fund according to section 23 of the Prohibition on Money Laundering Law, except for an asset as provided in regulation 2(f), and this council shall be composed as follows:

(1) A jurist qualified to serve as a District Judge appointed by the Minister of Justice – he shall be the Chairman;

(2) The representative on behalf of the Minister of Public Security;

(3) The representative on behalf of the Minister of Finance;

(4) The representative on behalf of the Minister of justice;

The council members, according to paragraphs (3) and (4), shall not be nominated from among the bodies that take part in the imposition of the monetary sanctions.";

(3) In sub-regulation (b), it shall read "for each one of the councils, as applicable" instead of "for the council".

10. The commencement of those regulations shall take place 30 days after their publication.

Tamuz 8th, 5771 (July 10th, 2011)

(3-2200 חג)

Yitzhak Aharonovitz

Minister of Public Security

Yaakov Neeman

Minister of Justice

Consumer Protection (Transaction Cancellation) Regulations (Amendment No. 2), 5771 – 2011

By virtue of my authority according to sections 114 and 37 of the Consumer Protection Law, 5741 - 1981¹⁹, in consultation with the Minister of Tourism and the Commissioner of Consumer Protection and

⁴ Book of Laws 5741, Page 248; 5765, Page 97.

Fair Trade, and with the approval of the Economy Committee of the Knesset, I hereby enact these regulations:

1. Instead regulation 9 of the Consumer Protection (Transaction Cancellation) Regulations, 5770 - 2010²⁰, it shall read:

“9. Regulation 6(a)(12) and the restriction of item 8 of the addition shall be valid for twelve months following the day of publication of the regulations.”

Tamuz 12th, 5771 (July 14th, 2011)

(3-3721 מ״ח)

Shalom Simhon

Minister of Industry, Trade and Labor

²⁰ Compilation of Regulations 5771, Page 16 and Page 942.

Extracts from the Prohibition on Money Laundering (The Banking Corporations' Requirement regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 5761-2001

Recording identification particulars

2. (a) A banking corporation shall not open an account without recording the following identification particulars in respect of each of the account holders and authorized signatories, and in respect of anyone applying to open an account if not one of the above, and authenticating them as set forth in section 3:

- (1) name;
- (2) identification number;
- (3) for an individual—date of birth, and sex; for a corporation—date of incorporation;
- (4) address.

(b) A banking corporation shall not open an account without recording the particulars in subsections (a)(1) and (2) in respect of a beneficiary; the particulars shall be recorded according to a declaration as per section 4; if the banking corporation does not have the beneficiary's identity number, after having taken reasonable measures to obtain one, instead of the identity number the banking corporation shall record the details listed in subsection (a)(3) herein, and the country of citizenship or incorporation, as applicable; the provisions of this subparagraph shall not apply

(1) where the banking corporation discovers on opening the account that the account is in favor of a beneficiary whose identity cannot be discovered from the declaration made by the person who applied to open the account, giving as the reason that the identity of the beneficiary was not known yet. In this case the banking corporation shall draw the attention of the person who applied to open the account, in writing, to his obligation to provide the banking corporation with the particulars of the beneficiary as soon as the identity of the beneficiary becomes known.

(2) in the case of an applicant wishing to open an account who has been appointed by a court, religious court or the chief of the execution office, provided the applicant has declared his appointment, the banking corporation shall indicate the appointment in the account records and shall keep a copy of the letter of appointment.

(c) A banking corporation shall not open an account for a corporation without recording the identification particulars as in subsections (a)(1) and a(2) herein of those holding controlling interests in it. The particulars shall be recorded according to a declaration as per section 4; where the banking corporation does not possess such identity number, after having taken reasonable measures to obtain one, it may instead record the details as in subsection (a)(3), and the country of citizenship.

(d) A banking corporation shall not add to an account

- (1) an account holder or authorized signatory without recording in respect thereof the identification particulars as per subsection (a) herein and authenticating them as set forth in section 3;
- (2) a beneficiary without recording in respect thereof the identification particulars as per subsection (b) herein;
- (3) a holder of a controlling interest of a corporation without recording in respect thereof the identification particulars as per subsection (c) herein.

(e) The opening of an account and adding an account holder, adding a beneficiary, and adding a holder of a controlling interest shall be accompanied by a declaration as per section 4; the said declaration made at the opening of an account shall bear an original signature.

(f) A banking corporation shall not carry out a transaction which requires a report pursuant to the provisions of section 8 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 as per subsection (a) herein according to an identification certificate as set forth in section 3, or a certificate issued by the State of Israel bearing the party's name, identity number, date of birth and photograph, and shall keep a photocopy of the identification certificate. In the said transaction which is not recorded in any account of a customer, the banking corporation shall authenticate the particulars of the party performing the transaction as set forth in section 3, with the necessary alterations.

(g) A banking corporation shall not carry out a transaction which does not require a report pursuant to section 8 and which is not recorded in an account in which the party performing the transaction is recorded as an account holder, authorized signatory or guarantor, without identifying the party performing the transaction and recording the name and the identity number in accordance with the identification certificate as provided in section 3, or a certificate issued by the State of Israel bearing the party's name, identity number, date of birth and photograph; in this subsection, "transaction" means a transaction in cash involving NIS 10,000 or more, or another transaction involving NIS 50,000 or more.

(h) For purposes of subsection (f), according to an instruction from the person responsible for the fulfillment of the obligations pursuant to section 8 of the Law regarding a particular account and for purposes of subsection (g) in a transaction the instruction for which appears to bear an account holder's or authorized signatory's signature, the apparent signatory on the instruction shall be considered to be the party that performed the transaction.

(i) When a guarantee is signed for a customer in favor of the banking corporation, the banking corporation shall record the identification particulars of the guarantor pursuant to subsections a(1) to a(4), according to the identification certificate set forth in section 3, and shall retain a photocopy of the identification certificate.

(j) In subsections (a) to (e) above, "account"—including a safe-deposit box.

Authentication of particulars and the documents required

3. (a) A banking corporation shall authenticate the identification particulars of the service recipient in a banking activity as per sections 2(a)(1), 2(d)(1), and 2(f), and shall obtain documents as set forth below.

(1) For an individual who is a resident, in the matter of recording the identification particulars as per sections 2(a)(1) to 2(a)(3)—an identity card or a certified copy of it a photocopy of one of which, insofar as the certificate relates to such identification particulars, shall be retained by the banking corporation; the banking corporation shall authenticate the identification particulars vis-à-vis the population registry, shall compare the date of issue of the certificate shown in it with the date of issue of the last certificate recorded in the population registry in the Ministry of the Interior, and shall retain the documentation of this check; For purposes of this subsection, an immigrant certificate up to 30 days from its date of issue and an Israeli passport in cases when the identification took place abroad or when the person responsible for the fulfillment of the obligations pursuant to section 8 of the Law is convinced that the individual is no longer permanently resident in Israel, but the obligation to compare the date of issue of the document shall not apply in these cases;

(2) For an individual who is a foreign resident, in the matter of recording of the identification particulars as per sections 2(a)(1) to 2(a)(3)—a foreign passport or *laissez-passer*, or a certified copy

of it, the banking corporation shall compare the identification particulars with another document bearing a photograph and identity number; in the absence thereof—a document bearing a name or identity number and also an address or date of birth. The photocopies of the identification certificates, insofar as they relate to such identification particulars, shall be retained by the banking corporation.

(3) For a corporation registered in Israel, in the matter of recording of the identification particulars of the corporation as per sections 2(a)(1) to 2(a)(3)—the registration certificate or a certified copy of it; if one of the said particulars does not appear in the certificate, the recording of the particulars shall be effected in accordance with an attorney's certification. The banking corporation shall obtain and retain the following documents or photocopies of them:

- (a) a certified copy of the corporation's registration certificate;
- (b) certified copies of the corporation's foundation documents establishing the corporation;
- (c) an attorney's certification of the corporation's existence, its name and identity number; alternatively, the banking corporation may authenticate the corporation's registration vis-à-vis the relevant registers;
- (d) a certified copy of a resolution of the competent organ in the corporation to open an account, or an attorney's certificate that such a resolution was duly passed;
- (e) a certified copy of a resolution of the competent organ in the corporation as to the authorized signatories in the account, or an attorney's certificate as to the authorized signatories in the account;

(3a) The provisions of section (3) notwithstanding, in an account by virtue of an agreement for settling transactions performed by debit cards, subsections (b) and (d) in that section shall not apply.

in this subsection attorney means someone licensed to practise law in Israel.

(4) For a corporation that is not registered in Israel, in the matter of recording of the identification particulars of the corporation as provided in sections 2(a)(1) to 2(a)(4)— a document attesting to its registration or a certified copy of the said document insofar as such particulars appear in the document; if one of the said particulars does not appear in the document, the recording of the particulars shall be effected in accordance with an attorney's certificate; the banking corporation shall obtain a document attesting to the corporation's registration and documents as set forth in subsections (3)(b) to (3)(e); for a corporation incorporated in a country in which there is no registration in respect of corporations of its type—the banking corporation shall obtain a certificate from an attorney that there is no registration in the country of incorporation; the banking corporation shall retain these documents or photocopies of them.

(5) For a public institution and a foreign corporation established by legislation abroad, in the matter of registering the name—a declaration by the applicant wishing to open an account, and for a corporation established by legislation as per the legislation by virtue of which the corporation was established, or an attorney's certificate that such legislation exists; the banking corporation shall obtain the documents as per subsections (3)(d) and (3)(e), with the necessary alterations; the banking corporation shall retain these documents or photocopies of them.

(6) For a recognized entity, in the matter of registering the name and address—a declaration by the applicant after the banking corporation has ascertained, pursuant to a document, that the applicant to open the account is authorized to act on the recognized entity's behalf; the banking corporation shall retain this document or a photocopy of it.

(7) Notwithstanding the provisions of subsections (2) and (4) herein, if steps were taken to open the account abroad, the banking corporation may record the identification particulars according to the usual identification certificates in the banking system in the country in which the identification was

made, provided that in the said country legislation exists which requires customer identification; the banking corporation shall retain photocopies of the identification certificates.

(8) For a minor aged less than 16 years—an identification certificate of one of his guardians; from three months after the account holder reached the age of 18 years, the banking corporation shall not carry out any transaction in the account initiated by the account holder unless the relevant provisions set out in subsections (1) and (2) have been met.

(b) In this section “certified copy” means a copy matching the source authenticated by one of the following:

- (1) the authority which issued the source document;
- (2) an attorney licensed to practise law in Israel and for a corporation incorporated in a member country of the OECD (the Organisation for Economic Cooperation and Development), also an attorney licensed to practise law in the country where the incorporation took place;
- (3) an official of the banking corporation to whom the source document has been presented;
- (4) an authority as per the Convention Abolishing the Requirement of Legalization for Foreign Public Documents (henceforth “the Convention to Abolish the Legalization Requirement”)⁷.
- (5) an Israeli diplomatic or consular representative abroad.

(c) The provisions of this section notwithstanding, the Supervisor of Banks may in special circumstances issue a directive specifying alternative ways of authenticating particulars and alternative documentation requirements; if the Supervisor did so issue a directive, he shall send a reasoned notification stating so to the Constitution, Law and Justice Committee of the Knesset (henceforth the “Constitution Committee”) within thirty days.

Declaration about a beneficiary and a holder of a controlling interest

4. (a) When opening an account the banking corporation shall require the applicant wishing to open an account to give 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 particulars as set forth in section 2(b) in respect of each of the beneficiaries; if the account is not opened by the account holder, the banking corporation, prior to performing the first transaction in the account, shall require also the account holder to make the above declaration. However

- (1) If the beneficiary is unknown, as in section 2(b)(1), the applicant wishing to open an account shall declare accordingly.
- (2) If the banking corporation is asked to open an account pursuant section 2(b)(2), it shall keep a copy of the decision of the court, religious court or the chief of the execution office relating to the appointment.

(b) When opening an account for a corporation, the banking corporation shall require a declaration bearing an original signature from the corporation or an attorney’s certificate confirming the identification particulars of the holders of the controlling interest in the corporation as per section 2(c).

(b1) When performing a transaction pursuant to section 8, if it is performed other than via a customer account, the bank shall require the service recipient give a declaration bearing an original signature stating whether he is acting for himself or on behalf of another; if the service recipient declares that he is acting on behalf of another, the declaration shall include the particulars as set forth in section 2(b) in respect of each of the beneficiaries.

(c) The declarations herein pursuant to subsections (a) to (b1) shall be made in the format shown in the First Schedule.

Partial exemption

5. (a) The provisions of sections 2(b), 2(d)(2) and 4(a) pertaining to registering a beneficiary in an account shall not apply to:

(1) an account of a public institution;

(2) an account of a banking corporation, the Postal Bank, an insurer, a member of the Stock Exchange, a provident fund and a managing company on behalf of a provident fund under its management, an account on behalf of a fund, and an account of a portfolio manager on behalf of his clients;

(3) a securities account that an overseas entity wishes to open for its customers, including a monetary account directly relating to such a securities account, provided that legislation or provisions of the competent authority obliging customer identification in the matter of the prevention of money laundering and the prevention of the financing of terrorism apply to the said entity, and that the entity submitted a declaration thereon to the banking corporation;

(4) an account of a recognized entity;

(5) an account on behalf of a public charity registered by the Public Charities Registrar.

(5a) an account on behalf of a rabbinical public charity which has been granted a certificate by a rabbinical court that it is a rabbinical public charity whose objectives are aimed at benefiting the public, unless the banking corporation has received a notification from the rabbinical court that the certificate has been cancelled.

(6) (a) an account managed for communal purposes for the benefit of a large or indeterminate group of beneficiaries, provided consent has been obtained from the person responsible for the fulfilment of the obligations pursuant to section 8 of the Law; opening an account pursuant to this subsection shall be conditional on a declaration by the applicant wishing to open an account, by means of the form in the First Schedule and bearing an original signature, on the special purposes of the account.

(b) an account managed for communal purposes for the benefit of a large or indeterminate group of beneficiaries, provided that the balance in the account at the end of every business day, and each transaction in the account, shall not exceed NIS 50,000; opening an account pursuant to this subsection shall be conditional on a declaration by the applicant wishing to open an account, by means of the form in the First Schedule and bearing an original signature, on the special purposes of the account.

(7) an account which an attorney, a rabbinical pleader, 8 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, and no transaction in the account shall exceed NIS 100,000; opening such an account shall be conditional on a declaration by the applicant wishing to open an account, by means of the form in the First Schedule bearing an original signature, that this is his only account of this type;

(8) another type of account specified in a directive by the Supervisor of Banks: if the Supervisor of Banks specified thus, he shall send a reasoned notification stating so to the Constitution Committee within thirty days.

If the account holder breaches the conditions in subsections (6) and (7), a warning shall be sent to him accordingly; should he commit a further breach not perform any of the conditions after being sent a warning, the banking corporation shall not perform any transaction initiated by the customer except withdrawal of the balance, closure of the account and payment of debts, unless the account holder completes the declaration on beneficiaries pursuant to section 4.”

(b) The provisions in sections 2(c), 2(d)(3), and 4(b) about recording a holder of a controlling interest shall not apply to the accounts of a banking corporation, an insurer, a provident fund, a managing company on behalf of a provident fund under its management, a company whose shares are traded on a stock exchange in Israel or on a stock exchange in a member country of the OECD, or to the account of another type of corporation specified by the Supervisor of Banks in a directive;

if the Supervisor of Banks so specified, he shall send a reasoned notification stating so to the Constitution Committee within thirty days; in this subsection and in section 5a “stock exchange” shall mean a securities stock exchange or ordered market as defined in the Joint Investment Trust Law, 5754–1994.9

(c) In the case of a company controlled by a company pursuant to subsection (b), the latter company shall be considered as a holder of a controlling interest.

Management and retention of records

14. (a) A banking corporation shall maintain a computerized database of account numbers, identification particulars of account holders, authorized signatories, beneficiaries and holders of controlling interests.

(b) A banking corporation shall retain the document attesting to the instruction to the banking corporation to carry out a transaction which it 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 banking corporation’s books; in the absence of an document attesting to the instruction, the banking corporation shall retain the computerized record attesting to the instruction to perform the transaction.

First Schedule

(Sections 4(c), 5(a)(6) and 5(a)(7))

Form of Declaration regarding Beneficiaries and Holders of Controlling Interests

I..... (name), bearer of ID no..... hereby declare that regarding account no.
.....

- There is no beneficiary with rights in the account apart from the account holders.
- In a transaction not performed within the framework of any customer account, there is no beneficiary other than the person performing the transaction.
- The account is that of an attorney, rabbinical pleader or accountant and is operated on behalf of his clients, and the balance in the account at the end of every business day will not exceed NIS 300,000, and no transaction in the account will exceed NIS 100,000; this is my only account of this type.**
- The account is an account managed by a person who has been appointed by a court, a religious court or the chief of the execution office. The letter of appointment is attached.
- The account is managed for communal purposes for the benefit of a large or undefined group of beneficiaries, and the balance in the account at the end of every business day, and each transaction in the account, will not exceed NIS 50,000;**

The purpose of the account is _____

- The account is managed for communal purposes for the benefit of a large or undefined group of beneficiaries (subject to the granting of approval by the person responsible for the fulfilment of obligations pursuant to section 8 of the Law);**

The purpose of the account is _____

- There is a beneficiary with the said rights, but identification particulars are not known yet, because _____

I hereby undertake to provide the particulars of the beneficiary as soon as his identity becomes known.

- The beneficiaries in the account are:

Name	Identification No.*	Date of Birth/Incorporation	Sex
_____	_____	_____	_____
_____	_____	_____	_____

- There is no holder of the controlling interests in the corporation.

- The holders of the controlling interests in the corporation are:

Name	Identification No.*	Date of Birth/Incorporation	Sex
_____	_____	_____	_____
_____	_____	_____	_____

I hereby undertake to notify the bank the banking corporation in writing as soon as possible of any change in the particulars I have given above. I am aware that providing false information, including the failure to provide an update of any particular that must be reported, with the intention that it be not reported or that the report be incorrect pursuant to section 7 of the Law, constitutes a criminal offence.

Signature _____ Date _____

* Including the name of the country in which the identification certificate was issued.

** Effective from 1.4.04.

Prevention of Terrorism Ordinance No. 33, 5708-1948

Published in the Official Gazette, No. 24 of the 25th Elul, 5708 (29th September, 1948).

THE PROVISIONAL COUNCIL OF STATE hereby enacts as follows:-

Interpretation

1. "Terrorist organisation" means a body of persons resorting in its activities to acts of violence calculated to cause death or injury to a person or to threats of such acts of violence;

"member of a terrorist organisation" means a person belonging to it and includes a person participating in its activities, publishing propaganda in favour of a terrorist organisation or its activities or aims, or collecting moneys or articles for the benefit of a terrorist organisation or activities.

Activity in a terrorist organization

2. A person performing a function in the management or instruction of a terrorist organisation or participating in the deliberations or the framing of the decisions of a terrorist organisation or acting as a member of tribunal of a terrorist organisation or delivering a propaganda speech a public meeting or over the wireless on behalf of a terrorist organisation shall be guilty of an offence and shall be liable on conviction to imprisonment for a term not exceeding twenty years.

Membership in a terrorist organization

3. A person who is a member of a terrorist organisation shall be guilty of an offence and be liable on conviction to imprisonment for a term n exceeding five years.

Supporting a terrorist organization

4. A person who -

(a) publishes, in writing or orally, words of praise, sympathy or encouragement for acts of violence calculated to cause death or injury to a person or for threats of such acts of violence; or

(b) publishes, in writing or orally, words of praise or sympathy for or an appeal for aid or support of a terrorist organisation; or

(c) has propaganda material in his possession on behalf of a terrorist organisation; or

(d) gives money or money's worth for the benefit of a terrorist organisation; or

(e) puts a place at the disposal of anyone in order that that place may serve a terrorist organisation or its members, regularly or one particular occasion, as a place of action, meeting, propaganda or storage; or

(f) puts an article at the disposal of anyone in order that that article may serve a terrorist organisation or a member of a terrorist organisation in carrying out an act on behalf of the terrorist organisation, shall be guilty of an offence and shall be liable on conviction to imprisonment for a term not exceeding three years or to a fine not exceeding one thousand pounds or to both such penalties.

Confiscation of property

5. (a) Any property of a terrorist organisation, of property. even if acquired before the publication of this Ordinance in the Official Gazette, shall be confiscated in favour of the State by order of a District Court.

(b) Any property liable to confiscation under this section shall be attached by a decision in writing of the Chief of the General Staff of the Defence Army of Israel or the Inspector General of the Israel Police.

(c) Any property being in a place serving a terrorist organization or its members, regularly or on a particular occasion, as a place of action, meeting, propaganda or storage, and also any property being in

the possession or under the control of a member of a terrorist organisation, shall be considered the property of a terrorist organisation unless the contrary is proved.

Closing of places of action etc. of a terrorist organization

6. (a) The Chief of the General Staff of the Defence Army of Israel, the Inspector-General of the Israel Police, a military governor or a military commander of an area, may decide in writing to close any place serving a terrorist organisation or its members, regularly or on a particular occasion, as a place of action, meeting, propaganda or storage; as soon as a decision as aforesaid has been given, it may be carried out by any army officer or police inspector.

(b) Any person aggrieved by a decision given under subsection (a) may appeal against it to a District Court within fifteen days of the day on which the decision came to his knowledge.

Proof of the existence of a terrorist organisation

7. In order to prove, in any legal proceeding, that a particular body of persons is a terrorist organisation, it shall be sufficient to prove that -

(a) one or more of its members, on behalf or by order of that body of persons, at any time after the 5th Iyar, 5708 (14th May, 1948), committed acts of violence calculated to cause death or injury to a person or made threats of such acts of violence; or

(b) the body of persons, or one or more of its members on its behalf or by its order, has or have declared that that body of persons is responsible for acts of violence calculated to cause death or injury to a person or for threats of such acts of violence, or has or have declared that that body of persons has been involved in such acts of violence or threats, provided that the acts of violence or threats were committed or made after the 5th Iyar, 5708 (14th May, 1948).

Government declaring organisation to be a terrorist organisation

8. If the Government, by notice in the Official Gazette, declares that a particular body of persons is a terrorist organisation, the notice shall serve, in any legal proceeding, as proof that that body of persons is a terrorist organisation, unless the contrary is proved.

Proof of membership in a terrorist organisation

9. (a) If it is proved that a person was at any time after the 5th Iyar, 5708 (14th May, 1948) a member of a particular terrorist organisation, that person shall be considered a member of that terrorist organisation unless he proves that he has ceased to be a member of it.

(b) A person being in a place serving a terrorist organisation or its members as a place of action, meeting or storage shall be considered A member of a terrorist organisation unless it is proved that the circumstances of his being in that place do not justify this conclusion.

Proof by a publication of a terrorist organisation

10. In order to convict an accused under this Ordinance and also for the purposes of the confiscation of property under this Ordinance, any matter which appears from its contents to have been published, in writing or orally, by or on behalf of a terrorist organisation, may be accepted as evidence of the facts presented therein.

Judgment to be prima facie evidence

11. (a) If it is determined by a final judgment that a particular body of persons is a terrorist organisation, the judgment shall, in any other legal proceeding, be considered as prima facie evidence that that body of persons is a terrorist organisation.

(b) A judgment of a military court given and confirmed under this Ordinance, and also a judgment of a civil court from which no appeal lies – either because the law does not allow an appeal or because no

appeal has been lodged within the prescribed time - shall be considered a final judgment within the meaning of this section.

Competent court, its composition and procedure

12. (a) Anyone committing an offence under this Ordinance shall be brought for trial before and be judged by a military court.

(b) A military court, when trying a case under this Ordinance, shall be composed of three members to be appointed by the Chief of the General Staff of the Defence Army of Israel.

(c) The members of the court shall be members of the Defence Army of Israel, and its president shall be a person qualified to practise as an advocate in the State of Israel or another person certified by the Attorney General of the Government of Israel as having sufficient legal knowledge.

(d) The procedure of the court shall be in accordance with the Army Code 5708 or any other law dealing with the procedure of a military court, insofar as the procedure is not prescribed by this Ordinance.

Arrest

13. The Criminal Procedure (Arrest and Searches) Ordinance, cap.33, applies to a person charged with an offence under this Ordinance with the following modifications:

(a) the power vested by that Ordinance in a magistrate is hereby also vested in a military prosecutor;

(b) the power vested by that Ordinance in a police officer is hereby also vested in a military policeman.

Release on bail

14. The Release on Bail Ordinance, 1944, applies to a person charged with an offence under this Ordinance with the following modifications:

(a) the power to release on bail before trial shall vest in a military prosecutor;

(b) the power to release on bail during trial and pending confirmation of the judgment shall vest in the military court dealing with the case;

(c) if an application for release is refused by a military prosecutor or a military court, the accused may submit it for decision to the Chief of the General Staff of the Defence Army of Israel.

Confirmation of judgment

15. (a) Every convicting judgment of a military court under this Ordinance shall be submitted to the Minister of Defence, who may -

(1) confirm the judgment;

(2) confirm the conviction and reduce the punishment;

(3) quash the judgment and acquit the accused; (4) quash the judgment and remit the case for retrial to a military court of the same or a different composition.

(b) The Minister of Defence shall, before giving his decision, obtain a statement of opinion from a person qualified to act as president of a military court under this Ordinance but who did not sit in that case.

Finality of judgment

16. A judgment of a military court given and judgment. confirmed under this Ordinance shall be final and no appeal shall lie from it to any court or tribunal whatsoever.

Execution

17. A judgment of a military court under this Ordinance shall, in any matter relating to its execution, have the same effect as a judgment of a civil court.

Reconsideration

18. The Minister of Defence may at any time reconsider any convicting judgment of a military court, even if it has been confirmed by him, and reduce the punishment or replace it by a lighter punishment.

Pardon

19. The powers of the Minister of Defence under this Ordinance do not derogate from the right of pardon under any other law.

Assistance, attempt, etc

20. The provisions of the Criminal Code Ordinance, attempt, etc. 1936, as to principal offenders (section 23), offences committed in prosecution of a common purpose (section 24), the mode of execution (section 25), accessories after the fact (section 26, 27), attempts (section 29, 30, 31), neglect to prevent offences (section 33) and conspiracy (section 34) apply as if they were expressly included in this Ordinance.

Criminal responsibility under another law

21. (a) This Ordinance does not affect the criminal responsibility of a person committing an offence under another law.

(b) If a person is brought before a civil court, then, notwithstanding as provided in section 12 (a), offences under this Ordinance may be included in the statement of charge.

(c) A person shall not be punished twice for the same act or omission and a person shall not be brought for trial, in respect of the same act or omission, both before a civil court and a military court.

Revocation

22. The Emergency Regulations (Prevention of Terrorism) 5708-1948, are revoked, but their revocation does not affect any declaration or notice made or given or any other act done thereunder and does not exempt a person from a punishment to which he has become liable thereunder.

Implementation and regulations

23. The Minister of Defence is charged with the implementation of this Ordinance and may make regulations as to any matter relating to its implementation.

Expiration of Ordinance

24. This Ordinance shall expire upon publication of a Ordinance. declaration of the Provisional Council of State, under section 9(d) of the Law and Administration Ordinance, 5708-1948, to the effect that the state of emergency has ceased to exist.

Title

25. This Ordinance may be cited as the Prevention of Terrorism Ordinance, 5708-1948.

19th Elul, 5708 (23rd September, 1948)

DAVID BEN-GURION
Prime Minister and Minister of Defence

FELIX ROSENBLUETH
Minister of Justice

PREVENTION OF TERRORISM ORDINANCE (AMENDMENT) LAW, 5740-1980

Passed by the Knesset on the 17th Av, 5740 (30th July, 1980) and published in Sefer Ha-Chukkim No. 980 of the 23rd Av, 5740 (5th August, 1980), p. 187; the Bill and an Explanatory Note were published in Hatz'a'ot Chok No. 1467 of 5740, p. 296. I.R. of 5708, Suppl. I, p. 73; LSI vol. I, p. 76.

Amendment of section 4.

1. In section 4 of the Prevention of Terrorism section 4. Ordinance, 5708- 1948* (hereinafter referred to as "the Ordinance"), the following paragraph shall be added after paragraph (f):

"(g) does any act manifesting identification or sympathy with a terrorist organisation in a public place or in such manner that persons in a public place can see or hear such manifestation of identification or sympathy, either by flying a flag or displaying a symbol or slogan or by causing an anthem or slogan to be heard, or any other similar overt act clearly manifesting such identification or sympathy as aforesaid".

Amendment of section 5.

2. In section 5(b) of the Ordinance, the words "the Chief of the General Staff of the Israel Defence Forces or" shall be deleted.

Amendment of section 6.

3. In section 6(a) of the Ordinance, the words "the Chief of the General Staff of the Israel Defence Forces", "a military governor or a military commander of an area" and "army officer or" shall be deleted.

Amendment of section 11.

4. In section 11 of the Ordinance, subsection (b) is repealed and the mark "(a)" shall be deleted.

Repeal of sections 12-21.

5. Sections 12 to 21 of the Ordinance are repealed.

Amendment of section 23.

6. In section 23 of the Ordinance, the words "the Minister of Defence" shall be replaced by the words "the Minister of Justice".

Replacement of section 24.

7. Section 24 of the Ordinance shall be replaced by the following section:

Application of Ordinance.

24. This Ordinance shall only apply in a period of Ordinance. in which a state of emergency exists in the State by virtue of a declaration under section 9 of the Law and Administration Ordinance, 5708-1948."

In the English version, this amendment requires the addition of the word "or" at the end of paragraph (f) (Tr.). I.R. of 5708, Suppl. I, p. 1; LSI vol. I, p. 7.

PREVENTION OF TERRORISM ORDINANCE (AMENDMENT NO. 2), 5746 - 1986

Published in Sefer Ha-Chukkim 5746, No. 1191 (13th August, 1986), p. 219; the Bill and an Explanatory Note were published in Hatzot Chok No. 1742 of 5745, p. 248.

Amendment of section 4.

1. In section 4 of the Prevention of Terrorism Ordinance, 5708-1948* (hereinafter referred to as "the Ordinance"), the following paragraphs shall be added after paragraph (g): "(h) or, being an Israeli citizen of resident of Israel, knowingly and without lawful authority, makes contact in Israel or abroad with a person occupying a position in the directorship, council or other organ of an organization that has been declared a terrorist organization by the Government pursuant to section 8, or who acts as a representative of the said organization,"

2. At the end of the section, the words "a fine not exceeding one thousand pounds" shall be replaced by the words "a fine up to 22,500 NIS (as provided in section 61(a)(3) of the Penal Law, 5737 - 1977)".

3. The following paragraph shall be added at the end of the section: "However, a person shall not be convicted under paragraph (h) if it is proved to the court that he made such contact, in Israel or abroad, on account of a family relationship between himself and the person with whom he made contact, or that he made the contact abroad -

- (1) on a matter concerning the provision of assistance to a family member who is in need;
- (2) as a media representative participating in a press conference, provided that international media representatives participated;
- (3) as a participant in an international forum on an academic-scientific subject, organized by an academic organization, and provided that he did not make contact with him on an issue of policy."

PREVENTION OF TERRORISM ORDINANCE (AMENDMENT NO. 3), 5753 - 1993

Published in Sefer Ha-Chukkim 5753, No. 1410 (27th January, 1993), p. 46; the Bill and an Explanatory Note were published in Hatzot Chok No. 2148 of 5753, p. 32.

Amendment of section 4.

1. In section 4 of the Prevention of Terrorism Ordinance, 5708 - 1948:

- (1) Paragraph (h) shall be deleted.
- (2) At the end of the section, the paragraph commencing "However, a person shall not be convicted" until "contact with him on an issue of policy", shall be deleted.

Criminal Law Procedure Ordinance (Arrest and Search), 5729-1969

CHAPTER ONE: INTERPRETATION

Definitions

1. In this Ordinance –

“judge” – a judge of a Magistrates Court or a judge of a District Court;

“object” includes documents, certificates, computer material or animals;

“computer”, “computer material” and “output” – as defined in the Computers Law, 5755 – 1995.

CHAPTER TWO: ARREST

2. to 7. Repealed

Article Two: Procedure at Police Station

What constitutes a police station

8. The Inspector General of the Israel Police shall determine – with approval by the Minister of Police – by order that shall be published in Reshumot, the places that shall be police stations for purposes of the Criminal Law Procedure Law (Powers of Enforcement – Arrest) Law, 5756 – 1996.

9. to 18A. Repealed

Article Four: Acts Incidental to Arrest

Use of Force

19. If a person is authorized to arrest a person who must be arrested, then he may use every reasonable means necessary for making the arrest, if the person opposes the arrest or attempts to evade it.

Help by the public

20. Every person must help a policeman or another person who reasonably demands his help in the arrest of a person whom he is authorized to arrest or in the prevention of his escape.

Attack implements

21. The person who makes the arrest may take from the arrestee any attack implement held by him, and he shall deliver what he took to the judge or to the policeman, before whom the arrestee must be brought under the Law.

Searching an arrestee

22. (a) When a policeman arrests a person or when he takes an arrestee or a prisoner into his custody, he may conduct a body search on him; “body search” - a search on the body of a person, in his clothes or utensils, which is not an internal or external search as defined in the Criminal Law Procedure (Powers of Enforcement – Body Search of Suspect) Law 5756-1996.

(b) The provisions of subsection (a) shall not derogate from the power to make a body search of an arrestee or prisoner under Law.

(c) Things seized during a search under subsection (a) shall be kept in custody, a list of the things seized shall be drawn up and signed by the person who made the search and the person on whom the search was made, a copy of the list shall be given to the person on whom the body search was made.

CHAPTER THREE: SEARCH

Search warrant

23. A judge may issue an order to conduct a search in any house or place (hereafter: search warrant), if -

- (1) the search there is necessary in order to assure presentation of an object for purposes of any investigation, trial or other proceedings;
- (2) the judge has reason to believe that it is used for the storage or sale of a stolen object, or that in it is stored an object with which or in respect of which an offense was committed, or which was used or is intended to be used for an illegal purpose;
- (3) the judge has reason to believe that an offense was committed or is intended to be committed against a person in that place.

Penetration of computer material

23A. (a) A penetration of computer material and the production of an output in the course of such a penetration shall be deemed a search and shall be performed by an official trained in the performance of aforesaid acts; for this purpose, "penetration of computer material" - within its meaning in section 4 of the Computers Law 5755-1995.

(b) Notwithstanding the provisions of this Chapter, a search said in subsection (a) shall not be conducted without an order from a judge under section 23, which specifically gives permission to penetrate computer material or to produce an output, as the case may be, and the conditions for the search and its objectives.

(c) Obtaining information from communications between computers, incidentally to a search under this section, shall not be deemed secret monitoring under the Secret Monitoring Law 5739-1979.

Authority under search warrant

24. (a) A search warrant shall be authorization for any policeman or other person named by the judge in the warrant, if he concludes that the circumstances make it necessary that that person be authorized -

- (1) to conduct a search in a house or place said in the search warrant and to seize there any object that appears as described in the warrant and to do with it as said in the warrant.
- (2) to arrest any person in that house or place, if it appears that he participates or participated in the offence that was committed or is intended to be committed with or in respect of that object.

(b) If a person conducts a search under a search warrant and finds an object that is not mentioned in the search warrant, but he has reasonable grounds to assume that an offense was committed or is intended to be committed with it or in its respect, then he may seize the object and bring it before the judge who issued the warrant, and the judge may order what shall be done with it as he finds appropriate.

Search not under a search warrant

25. A policeman may enter and search any house or place without a search warrant if -

- (1) the policeman has reasonable grounds to assume that a felony is being committed there or that a felony was committed there recently;
- (2) the person in possession of the house or place asks for help from the police;
- (3) a person who is there asks for help from the police and there are grounds to assume that an offense is being committed there;
- (4) the policeman chases a person who evades arrest or escapes from lawful custody.

Search at the Court and deposit of objects

25.A (a) A policeman or a person so authorized by the Minister of Police may – without a warrant – make body searches of persons who come into a Court, tribunal or other place where judicial proceedings take place, if that is necessary in order to comply with the provisions of section 256 of the Penal Law 5737-1977.

(b) A person who conducts a search under subsection (a) shall have the powers of a policeman for purposes of seizing an object discovered in the search.

(c) A person authorized to conduct a search under subsection (a) may demand that an object which its bearer does not need at that time for purposes of his occupation be deposited with him as long as its bearer is in one of the places said in section 256 of the Penal Law 5737-1977.

Procedure in conduct of search

26. A search, either under a warrant or without a warrant, shall be conducted in the presence of two witnesses who are not policemen, unless -

(1) it cannot be performed as aforesaid under the circumstances of the case and because of the urgency of the matter; the circumstances of the case and the reasons for its urgency shall be specified in a protocol that must be drawn up;

(2) a judge permitted it to be conducted in the absence of witnesses;

(3) the person in possession of the house or place where the search is conducted or one of the members of his household present asked that it be conducted in the absence of witnesses; the request shall be specified in the protocol that must be drawn up.

List of objects found

27. A list of the objects seized in a search, whether conducted under a warrant or without a warrant, and of the places where they found shall be drawn up by the person who conducted the search and shall be signed or stamped by the witnesses.

Occupant may be present

28. The occupant of the house or place where the search is conducted or a person on his behalf shall be allowed to be present during the search, and on his demand he shall be given a copy of the list of the objects seized, signed or stamped by the witnesses.

Search of a person

29. If a person is present in or near the house or place where a search is being conducted, and if there are reasonable grounds to suspect that he conceals on his person an object for which the search is or may be conducted, then it is permissible to make a body search on him under section 22; the list of objects found and seized shall be drawn up and signed by the witnesses as said in section 27, and a copy of the list signed as aforesaid shall be given to the person on his demand.

Judge's order to conduct search

30. A judge may order a search to be conducted in his presence in any house or place in respect of which he has the power to issue a search warrant.

Judge's powers in respect of objects found

31. If an object, the use or possession of which is prohibited, is brought before a judge by virtue of a search warrant and if the person who had it in his possession did not prove a legal justification, then the judge may order its confiscation, mutilation or destruction, even if nobody is tried in connection therewith.

CHAPTER FOUR: SEIZURE OF OBJECTS

Power to seize objects

32. (a) A policeman may seize an object, if he has reasonable grounds to assume that an offense was or is about to be committed with it or that it is likely to serve as evidence in a judicial proceeding for an offense, or if it was given as remuneration for the commission of an offense or as a means for its commission.

(b) Notwithstanding the provisions of this Chapter, a computer or anything that constitutes computer material shall only be seized by order of a Court, if it is used by an institution, as defined in section 35 of the Evidence Ordinance (New Version) 5731-1971; if the order was made not in the presence of the person who is in possession of the computer or of the thing that constitutes computer material, then it shall be made for a period of not more than 48 hours; for this purpose, Sabbath and festivals shall not be taken into account; the Court may extend the order after the possessor was given an opportunity to state his arguments.

(c) The Minister of Justice may make regulations for purposes of this section.

Keeping seized objects

33. When an object has been seized as said in section 32, or if an object to which one of the conditions said in section 32 applies has reached the police, then the police may – subject to the provisions of section 34 – keep it until it is present to the Court.

Delivering seized object by order

34. On application by a policeman, who generally or for a specific matter so authorized by a police officer of the rank of Subinspector or higher (hereafter: authorized policeman) or on application by a person who claims a right in the object, a Magistrates Court may order that the object be delivered to the person who claims a right to it or to some specific person or that it be dealt with otherwise as the Court shall order, all on conditions to be prescribed in the order.

Return by police of seized object

35. If – within six months after an object was seized by the police or after it reached them – the case in which the object is supposed to be evidence was not submitted and no order was made in respect of that object under section 34, then the police shall return the object to the person from whom it was taken; however, on application by an authorized policeman or by an interested party a Magistrates Court may extend the period on conditions which it shall set.

Court decision on seized object

36. If the object was presented to the Court as evidence, then the Court may – either in its judgement on the matter heard or by special order – order what shall be done with it; the provisions of this section shall add to and not derogate from the powers of the Court under any other enactment.

Object not submitted as evidence

37. If an indictment was filed and the object was not submitted to the Court as evidence, then – if the indictment was against a person for an act committed with or in respect of that object – the Court may order as said in section 34; if no order was made under section 34 or if the trial was not of a person for an aforesaid offense, then the police shall return the object to the person from whom it was taken.

Sale order

38. If the object is livestock or a commodity that is liable to spoil, whether because of its special character or for another reason, and if no order was made about it under section 34, the Magistrates Court may – on application by an authorized policeman or by the person who claims a right to the object – order the

object to be sold by public auction or at the price customary that day; the sale proceeds shall be repaid to the person from whom the object was taken, but if – within the times set under section 35 – an indictment was submitted against a person for an act committed with or in respect of that object – then the sale proceeds shall be dealt with as the Court shall order.

Confiscation order

39. (a) Notwithstanding the provisions of any enactment, the Court may, in addition to any penalty which it imposes – order an object that was seized under section 32 or which reached the police as said in section 33 to be confiscated, if the person convicted of committing the offense with or in respect of the object is the object's owner; this order shall be treated like a penalty imposed on the defendant.

(b) If an object was given as remuneration for the commission of an offense or as a means for its commission and if none of the other conditions said in section 32 applies to it, then the object shall not be confiscated unless it was given by its owner or by its lawful possessor or with his consent as remuneration or as a means for the commission of the offense of which the person on trial was convicted, or as remuneration or as a means for the commission of another offense of which the person on trial was convicted; it is immaterial whether the person on trial did or did not commit the other offense, and even that he did not intend to commit it.

(c) A confiscation order under this section may be issued either in the sentence or according to the prosecutor's petition.

A person's argument of ownership or right

40. If a person who is not an accomplice to the offense argues that he owns or has a right in a confiscated object, then – within one year after the confiscation order was handed down or within an additional time set in that order – he may apply to the Court that ordered the confiscation that it cancel the order, and the Court may do so and it may order the object to be delivered to the applicant, either to own or merely to realize his right, all as the case may be.

Seized object that was sold or lost

41. If an object was sold and it was decided that it be returned as said in section 40, then the proceeds of its sale shall come in its place, if the object was lost, then – if the Court is satisfied that there was an offense or negligence in its keeping – may obligate the State Treasury to pay damages in an amount which it shall set.

Object without owner

42. (a) If the police must return an object or its sale proceeds to any person under this Law, and if the person was summoned in writing to come to a prescribed place to receive it and did not do so within six months after the summons was delivered to him, or if, within six months after the day on which they must return it the police cannot find out where he is, even though they diligently acted to find him, then that object shall be deemed to have no owner and it shall be confiscated for the State Treasury.

(b) For purposes of this section, sending a summons by registered mail to the address given to the police by that person shall be a priori proof that the summons was delivered within 48 hours after its despatch.

CHAPTER FIVE: GENERAL PROVISIONS

Summons to present object

43. If a judge concludes that the presentation of any object is necessary or desirable for purposes of an investigation or trial, then it may summon any person who is assumed to have the object in his possession or under his control to appear and to present the object, or to deliver it at the time and place stated in the summons.

Policeman exempt of liability

44. A policeman shall bear no civil or criminal liability for an arrest or detention, which in the Court's opinion – he performed in good faith and for the public welfare, but the provisions of this section shall not derogate from the power of his superiors to take any disciplinary action they deem necessary.

Entering a place

45. A person who lives in a house or place that may be entered by virtue of the right to arrest or search, or the person in charge of that place or house shall permit – on demand – free entry and provide any reasonable facility; if he was required to permit aforesaid entry and refused, then the person entitled to enter may enter by force.

Searching a woman

46. A woman shall be searched under this Ordinance only by a woman.

Offences

47. (a) If a person uses force or threats in order to prevent or frustrate lawful arrest, whether of himself or of another person, or in order to frustrate lawful search, then he shall be liable to six months imprisonment or to a fine of IL750.

(b) Repealed

(c) The provisions of this section shall add to and not derogate from the provisions of the Criminal Law Ordinance 1936.

Effect

48. This New Version shall be in effect from May 1, 1969.

Prohibition on Money Laundering (Modes and Times for Transmitting Reports to the Data Base by Banking Corporations and the Entities Specified in the Third Schedule to the Law) Regulations, 5762-2002

By virtue of the power vested in me under sections 7 (e) and 32 (a) of the Prohibition on Money Laundering Law, 5760-20001 (hereinafter “the Law”), after consultation with the Minister for Internal Security and the Governor of the Bank of Israel in respect of a banking corporation, and with the Ministers charged with any of the entities specified in the Third Schedule in respect of such entities, and with the approval of the Knesset Constitution, Law and Justice Committee, I hereby enact the following regulations:

Definitions

1. In these Regulations –

“a person responsible” - within the meaning of section 8 of the Law, or any person appointed by him for that purpose, and notice of whose appointment was given to the head of the competent authority;

“reporting entity” – a banking corporation and any of the entities specified in the third schedule to the Law;

“report” - a report to the competent authority under section 7 (a) and (b) of the Law;

“supplementary report” – a report within the meaning of section 31 (c) of the Law;

“the competent authority” – the Authority for Prohibition on Money Laundering, established under section 29 (a) of the Law;

“data base” - a data base established under section 28 of the Law;

“Supervisor” - as defined in section 12 of the Law, with the exception of an entity as defined in paragraph (3) of the definition;

“printed document” – a document printed on paper;

“ordinary act” - each one of the acts or cases which the reporting entities are obliged to report, in accordance with the Orders issued under section 7 of the Law (hereinafter – reporting orders), but excluding an exceptional act;

“exceptional act” – as defined in the reporting orders with respect to each reporting entity;

“Head of the Authority” – head of the competent authority.

Modes of Reporting

2. The reporting entity shall make its report to the competent authority in one of the modes specified below or a combination of all or some of such modes, in accordance with instructions given by the Head of the Authority to the reporting entity:

(1) by computer communication;

(2) on an optical substrate (optical disk - CD-ROM) or a magnetic substrate (film or disk);

(3) by a printed document.

Structure of Reporting

3. (a) The Head of the Authority shall give the reporting authority instructions as to the methods, structure of files, technologies and data categories by which the reporting shall be carried out, as specified below:

(1) Reporting of a ordinary act shall be composed on a regular data file in a predetermined format, which shall include one of the following:

- (a) “ASCII” standard (American Standard Code for Information Interchange);
- (b) A file created with data transmission technology and records between different applications (XML – Extensible Markup Language);

(2) Reports on exceptional acts shall be drawn up separately, in the HTML format (Hyper Text Markup Language), determined in advance, or - with the written approval of the Head of the Authority given in advance – in a different format. The report shall be documented as required; it shall include the reasons for the report, including a description of the act being reported, its circumstances, and all of the circumstances connected to the reasons necessitating the report, to the extent that they are known by the reporting entity;

(3) A supplementary report shall be transmitted should the Head of the Authority require the same from the person responsible;

(4) The report shall be made in accordance with any requirement made by the Head of the Authority as stated.

(b) A report made under sub-regulation (a) shall be signed by the person responsible; where it was transmitted as a computer file, the report shall bear the special code for identification of the reporting body, the same having been supplied in advance by the Head of the Authority.

Times for Reporting

4. (a) The Head of the Authority shall prescribe the times for reporting according to the following criteria:

(1) (a) a report of regular acts shall be transmitted to the competent authority with respect to the period specified by the Head of the Authority (hereinafter - the reporting period) which, for a banking corporation shall not be less than one working day for banking corporations and one month for the other entities specified in the third schedule;

(b) the report shall include acts that were recorded in the computerized base of the reporting entity or in any other manner, during the reporting period;

(c) regarding banking corporations – the report shall be transmitted to the competent authority no later than two working days after the termination of the reporting period; regarding other entities specified in the Third Schedule, the report shall be transmitted to the competent authority on the 17th of the month following the reporting period, or on the working day thereafter or on any other day determined by the Head of the Authority for each category of reporting entities;

(2) a report of an exceptional act shall be transmitted to the competent authority as soon as possible under the circumstances, after execution of the act or the recording thereof, as the case may be;

(3) A supplementary report shall be transmitted to the competent authority as soon as possible in the circumstances after the date upon which the person responsible received the requirement therefor from the Authority.

(b) In this regulation “a working day” – for a banking corporation means – a day for banking transactions within the meaning of section 1 of the Banking (Service to Client) (Time for Debiting and Crediting Checks) Provisions, 5752-1992

Place of Submitting Report

5. (a) The reporting entity shall submit its report at the address of the competent authority; with respect to these regulations, “address” shall include the address for computer communication of the Authority or another electronic address as provided by the Head of the Authority.

(b) The competent authority shall, if so requested by the reporting entity, acknowledge receipt of any report transmitted other than by computer communications that was delivered at its address.

Modes of Reporting, Structure, and Time thereof and Instructions of the Head of the Authority

6. (a) The Head of the Authority, after consultation with the Supervisor, may give instructions pertaining to modes of reporting, structure, times and place of submission, whether to each reporting entity separately or to categories of reporting entities.

(b) The Head of the Authority shall publish in *Reshumot*, in respect of each category of reporting entity, all of the following particulars:

- (1) modes of reporting, as specified in regulation 2;
- (2) structure of report, as specified in regulation 3;
- (3) times of reporting, as specified in regulation 4;
- (4) address for transmission of report, as specified in regulation 5;

(c) The Head of the Authority may, for special reasons that shall be recorded, give written notice to a particular reporting entity of an instruction pertaining to the subjects specified in sub-regulation (b); in exercising such power, the Head of the Authority shall give identical instructions to identical entities; instruction made under this sub-regulation shall be open for public inspection.

(d) Notice of alteration in the instructions for one or more of the topics specified in sub-regulations (b) and (c), shall be published in *Reshumot* or be sent to the reporting entity, as the case may be, taking into consideration the type of alteration, in reasonable time prior to the alteration and no less than 60 days before the effective date of the alteration.

Criteria for Determining Modes and Times of Reporting

7. In determining the modes and times of reporting for the reporting entity, as well as the structure and place of submission thereof, or an alteration in any one of the above, the Head of the Competent Authority shall take into consideration the following factors:

- (1) nature of commercial activity of the reporting entity and its ability to comply with the requirements of the Head of the Authority;
- (2) basic technical features of the computerization and communication systems of the data base;
- (3) basic technical features of the computerization and communications systems of the reporting entity.

_____5762

(_____ 2002)

Meir Shetreet

Minister of Justice

Extracts from the Order on Prohibition on Money Laundering (Obligations of Identification, Reporting and Keeping Records of the Postal Bank to Prevent Money Laundering and Financing Terrorism), 5771 – 2011

Part One: Interpretation

Definitions

1. In this Order –

“politically exposed person” - a foreign resident who holds a senior public position abroad, including a family member of such a resident or a corporation under his control or a business partner of one of the above; For this purpose, “senior public function”- includes the head of a state, president of a state, city mayor, judge, member of Parliament, member of the government and senior military or police officer, or any person who performs such a role even if his title is different;

“family member”- as defined in the Securities Law, 5728 – 1968;

....

Chapter Two: Obligations of Identification

Customer Due Diligence

2. (a) The Postal Bank shall not open an account without identifying the person who requests to be the account owner and without conducting a process of recognition of the account holder recognized, according to the degree of risk he represents for money laundering and financing terrorism risk on this matter, “know your client” – inter alia, clarifying the source of the money to be deposited in the account, his business, the purpose of opening the account, the transactions planned to be taken in the account, and if the customer was refused services by a banking corporation for reasons relating to the prohibition on money laundering and financing terrorism; regarding a foreign resident, inquiry shall also be made regarding his connection to Israel, and whether he is a Politically exposed person; regarding a person who is a business owner, also the kind of business; the Postal Bank shall keep records of these particulars.

(b) The Postal Bank shall not open an account for a Politically exposed person, unless it has received authorization from a functionary in the Postal Company; granting of the aforesaid authorization shall be examined according to the degree of risk the Politically exposed person poses for money laundering and financing terrorism; where it is learned during the contractual relationship that the account owner is a Politically exposed person, the Postal Bank shall not perform a transaction in the account until it receives the aforesaid authorization in the course of the relationship.

(c) The Postal Bank shall conduct ongoing monitoring with respect to the procedure for becoming recognized with the customer that it carried out upon the beginning of the relationship according to the degree of risk the account owner poses with respect to money laundering and financing terrorism, and will revise its records accordingly; where a doubt arises regarding the identity of the account owner or the genuineness of the identification particulars that were provided to the Postal Bank, the Postal Bank shall again perform the procedure for becoming recognized with account owner.

(d) For the purposes of this section, “account” does not include a plate or other object, which is intended for the making of payments, purchase of assets or services from a supplier or withdrawal of cash, in which monetary value can accumulate, and cannot be used to debit an account, whose cumulative balance is limited to a maximum value of NIS 5,000.

Recording of identification particulars

3. (a) The Postal Bank shall not open an account without recording, with respect to it each of the account owners and authorized signatories and also with respect to anyone applying to open an account if he is not one of the above, the following identification particulars and verify them as prescribed in section 4:

- (1) name;
- (2) identification number;
- (3) for an individual – date of birth and sex; for a corporation – date of incorporation;
- (4) address.

(b) The Postal Bank shall not open an account without recording, with respect to a beneficiary, the particulars specified in subsections (a)(1) and (2); the particulars shall be recorded according to a declaration as per section 5; where the Postal Bank does not have an identification number of the beneficial owner, after having taken reasonable measures to obtain one, it shall record in its stead the particulars listed in subsection (a)(3) and also the country of citizenship or incorporation, as applicable; this subsection shall not apply –

(1) where the Postal Bank discovers on opening the account, that the account is in favor of a beneficial owner whose identity cannot be discovered from the declaration made by this who applying to open an account , giving as the reason that the identity of the beneficiary was not known yet ; in such case, the Postal Bank shall draw the attention of this who applied to open the account, in writing, to his obligation to provide the Postal Bank with the particulars of the beneficiary as soon as the identity of the beneficiary becomes known;

(2) in the case of an applicant wishing to open an account who has been appointed by a court, religious court or the chief of the execution office, the registrar for inheritance matters, or another official state body that the supervisor prescribed provided the applicant has declared his appointment; the Postal Bank shall indicate the appointment in the account records and shall keep a copy of the supporting document.

(c) The Postal Bank shall not open an account for a corporation without recording the identification particulars as in subsections (a)(1) and (2) herein of those holding controlling interests in it the particulars shall be recorded according to the declaration as per section section 5; where the Postal Bank does not possess such identification number, after having taken reasonable measures to obtain one, it may instead record the details as in subsection (a)(3), and the country of citizenship.

(d) The Postal Bank shall not add to an account –

(1) an account owner or authorized signatory, without recording in respect thereof the identification particulars as per subsection (a) and their verification as specified in section 4;

(2) a beneficial owner, without recording in respect thereof the identification particulars as per subsection (b);

(3) controlling shareholder in a corporation, without recording in respect thereof the identification particulars specified in subsection (c).

(e) Opening an account and adding an account owner, adding a beneficial owner and adding a controlling shareholder shall be accompanied by a declaration as per section 5; the said declaration given upon opening the account shall be an original signed copy.

(f) A Postal Bank shall not carry out a transaction which requires a report pursuant to the provisions of section 11 and which is not recorded in an account in which the party performing the transaction is recorded as an account holder or authorized signatory except for payment of bills, without recording the identification particulars of the party performing the transaction as per subsection (a) herein according to

an document as set forth in section 4, or a document issued by the State of Israel bearing the party's name, identification number, date of birth and photograph, and shall keep a photocopy of the identification document (hereafter in this subsection – identification document); in such a transaction that is not recorded in any account whatsoever of an account owner, the Postal Bank shall verify the identification particulars of the performer of the transaction as specified in section 4, *mutatis mutandis*; however, the Postal Bank does not have to retain a photocopy of the identification document of a repeat performer of a transaction as defined in section 4(c) if the Postal Bank found that the identification details appearing in the identification document of the said performer of the transaction corresponds to the identification particulars maintained by it.

(g) The Postal Bank shall not carry out a transaction that requires reporting under section 11 and is not recorded in an account in which the party performing the transaction is registered as owner or authorized signatory, except for payment of bills. without identifying the performer of the transaction and recording his name, and identification number according to the identification document referred to in section 4 or according to a document issued by the State of Israel that bears a name, identification number, date of birth and photo; in this subsection, "transaction" means a transaction in cash, in the amount of NIS 10,000 or more, or another transaction in the amount of NIS 75,000 or more.

(h) For the purposes of subsection (f), pursuant to the instruction of the person responsible for fulfillment of the obligations under section 8 of the Law with respect to a certain account and for the purposes of subsection (g), in a transaction where the instruction apparently bears the signature of the account owner or authorized signatory, the apparent signature on the instruction for performance shall be considered to be the party that the performed the transaction.

(i) The Postal Bank shall not perform a transaction of payment of bills in cash, in a sum of NIS 75,000 or more, without first identifying the performer of the transaction and recording his name and identification number as stated in subsection (g).

(j) The Postal Bank shall not make an electronic transfer from Israel to abroad, in an amount greater than NIS 5,000, without recording, in each of the transfer documents, the particulars of the recipient of the service who initiates the transfer, including his name, identification number and address, and also his account number, to the extent one exists, and also the particulars of the transferee, including his name, identification number and account number.

(k) In an electronic transfer to Israel from abroad, in an amount greater than NIS 5,000, the Postal Bank shall record the particulars as stated in subsection (j), to the extent that it knows these particulars.

(l) In the transactions referred to in subsections (j) and (k) that are performed by means of a correspondent account, the Postal Bank shall transfer all information it received on the particulars of the transfer, the transferor and the transferee, in the framework of the transfer document to the respondent institution.

(m) In subsections (a) to (d), "account" includes a safe- deposit box.

Verification of particulars and demand for documents

4. (a) The Postal Bank shall verify the identification particulars of the recipient of the service in transactions specified in sections 3(a), (d) and (f) and shall obtain the following documents:

(1) For the purposes of recording the identification particulars specified in sections 3(a)(1) to (3) of an individual who is a resident – according to an identification card or according to a certified copy of it that is a photocopy of one of them, with respect to the said identification particulars – shall be retained by the Postal Bank; the Postal Bank shall verify the identification particulars with the Population Registry in the Ministry of the Interior, compare the date of issuance of the card appearing in it with the date of issuance of the last card recorded in the Population Registry and retain documentation of this check; for the purposes of this subsection, a document issued by the State of Israel that bears the name, identification number, date of birth and photo, a new-immigrant's card up to 30 days from the

day it was issued, and also an Israeli passport, will be considered as an identification card if the person to be responsible for fulfillment of corporation's obligations under section 8 of the Law is convinced that the individual is no longer permanently resident in Israel, , but the obligation to compare the date of issuance of the card shall not apply to identification according to these documents;

(2) For the purposes of recording of identification particulars as specified in sections 3(a)(1) to (3) of an individual who is a foreign resident – a foreign passport or travel document, or certified copy of such identity document; the Postal Bank shall compare the identification particulars with another document bearing a photo and identification number, and lacking such a document, with a document bearing a name and identification number and address or date of birth, and lacking that, with a credit card; photocopies of the identification documents – with respect to the identification particulars – shall be retained by the Postal Bank;

(3) For the purposes of recording of identification particulars as referred to in sections 3(a)(1) to (3) of a corporation registered in Israel – in accordance with the certificate of registration or a certified copy thereof; where one of the said particulars is lacking – certification of an attorney; the Postal Bank shall receive and retain the following documents or photocopies thereof:

(a) certified copy of the certificate of registration of the corporation;

(b) certified copies of the founding documents of the corporation;

(c) certification of an attorney of existence of the corporation, its name and identification number or that the Postal Bank verifies that the corporation is registered in the appropriate registries;

(d) certified copy of the decision of the competent organ in the corporation to open an account at the Postal Bank, or certification of an attorney that such a decision was properly made;

(e) certified copy of the decision of the competent organ in the corporation on authorized signatories for the purpose of managing the account, or certification of an attorney on the authorized signatories for the purpose of managing the account;

(4) For the purposes of recording the identification particulars as referred to in sections 3(a)(1) to (4) of a corporation that is not registered in Israel – in accordance with the document testifying to its registration or a certified copy of the said document, to the extent that these particulars appear in the document; where the document is lacking one of the said particulars – in accordance with certification of an attorney; the Postal Bank shall obtain in its hands a document that testifies to the registration of the corporation and documents as specified in paragraphs (3)(b) to (e); for a corporation that was incorporated in a country that does not maintain registration of bodies corporate of its kind, the Postal Bank shall receive in his hands certification of an attorney that registration does not exist in the state of incorporation; the Postal Bank shall retain these documents or photocopies thereof;

(5) For the purposes of registration of the identification details specified in section 3(a)(1) of a public institution and of a corporation established by statute abroad – in accordance with the declaration of the applicant wishing to open an account, and for a corporation that was established by statute, the legislative enactment under which the corporation was established, or certification of an attorney on the existence of the legislative enactment; the Postal Bank shall receive in its hands documents as specified in paragraphs (3)(d) and (e), *mutatis mutandis*; the Postal Bank shall retain these documents or photocopies thereof;

(6) For the purposes of recording the identification details referred to in sections 3(a)(1) and (4) of a recognized body – in accordance with a declaration of the applicant wishing to open an account, after the Postal Bank knows, from a document, that the said applicant is authorized to act in the name of the recognized body; the Postal Bank shall retain this document or a photocopy thereof;

(7) For the purposes of recording the identification details as referred to in sections 3(a)(1) to (3) of a minor who has not yet attained the age of 18 – in accordance with an identification document of one of his guardians; commencing three months after the account owner attained the age of 18, the Postal Bank shall not perform any transaction of the account owner in his account unless the provisions of paragraph (1) or (2), as the case may be, have been met;

(8) Where actions were made from abroad to open the account, the Postal Bank may, notwithstanding the provisions of paragraphs (2) and (4), record the identification details in accordance with the identification documents acceptable in an account of this kind in the country in which the identification was made, provided that the said country has legislation requiring identification of customers; the Postal Bank shall retain in its hands photocopies of the identification documents.

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

- (1) the authority that issued the original document;
- (2) an attorney;
- (3) the Postal Bank clerk before whom the original document was presented;
- (4) an authority as stated in article 6 of the Convention Abolishing the Requirement of Legalization for Foreign Public Documents (hereafter – the Convention Abolishing the Requirement of Certification);
- (5) an Israeli diplomatic or consular representative abroad.

(c) Notwithstanding the provisions of subsection (a)(1), in a transaction referred to in section 3(f), the Postal Bank may certify the identification particulars of a repeat performer of a transaction as specified below:

- (1) for the purposes of recording the identification particulars as stated in sections 3(a)(1) to (3) – in accordance with an identification card or certified copy thereof; the Postal Bank shall confirm that the identification particulars comport with the identification particulars in its records, and compare the date of issuance of the card appearing in it with the date of issuance of the card in its records, and retain documentation of this examination;
- (2) where the identification details referred to in paragraph (1) or the date of issuance of the identification card do not conform to the particulars in the Postal Bank records, the Postal Bank shall make an additional certification as prescribed in subsection (a)(1).

For the purposes of this subsection, “repeat performer of a transaction” means a performer of a transaction as referred to in section 3(f) who is an individual and a resident, and who meets each of the following conditions:

- (1) his identification particulars as referred to in sections 3(a)(1) to (3) were previously recorded in the Postal Bank under section 3(f) in accordance with an identification card;
- (2) the date of issuance of the identification card is recorded in the Postal Bank in the previous certification it made with respect to him under subsection (a)(1);
- (3) his identification particulars are maintained in the Postal Bank under section 3(f) and in the previous certification it made with respect to him under subsection (a)(1);
- (4) the Postal Bank shall take reasonable means relating to the risk of money laundering and financing terrorism when certifying the identification particulars of a beneficial owner and controlling shareholder in an account as referred to in sections 3(b) to (d), by using the relevant information or data that was received from a reliable source that it considers satisfactory; for this purpose, the Postal Bank may certify the said identification particulars by comparing it to the Population Registry.

(5) notwithstanding the provisions of this section, the supervisor may, upon consultation with the head of the competent authority, order the manner of certification of particulars and the requirement of substitute documents;

(6) for the purposes of subsection (a), “recipient of service” does not include the one who purchased from the Postal Bank a plate or other object, which is intended for the making of payments, the purchase of property or services from a supplier or for withdrawing cash, in which monetary value can be accumulated, and through which the account cannot be debited, where the cumulative balance in them is limited to a maximum value of NIS 5,000.

Retention of identification documents

9. The Postal Bank shall retain the identification documents for at least seven years after the account is closed, or after performance of a transaction referred to in section 3(f); retention of the identification documents, except for the declaration given, which shall be a signed original, may be done by computer scanning in the conditions specified in regulation 3A of the Testimony (Photocopies) Regulations, 5730 – 1969; for this purpose, “identification documents” mean any document provided for the purpose of identification and certification, including a declaration given under this Order and essential documents that the Postal Bank used to become recognized with the account owner in accordance with section 2.

Chapter Three: Obligations of Control and Reporting

Control on transactions in account

10. The Postal Bank shall conduct regular monitoring of transactions of the account owner for the purpose of fulfilling its obligations with respect to identification, reporting and keeping of records under the Law; without derogating from the generality of the aforesaid, the Postal Bank shall monitor –

- (1) that the transactions conform to the nature of the account according to its acquaintance with the account owner;
 - (2) transactions in the account that are made with countries and territories specified in the Second Schedule;
 - (3) Perform more intensive review of transactions carried out in the account of a politically exposed person.
-

Transmission of documents, information, and explanations

19. The Postal Bank shall provide, upon demand, to the supervisor or to an employee authorized by the supervisor, documents, information, and explanations relating to fulfillment of its obligations under this Order.

First Schedule

(Sections 1, 10(2), 11(a)(3), (6), (7) and (8), 13(2), 14(2) and 16(3) and the Third Schedule)

List of Countries and Territories

1. Countries or territories specified by the head of the competent authority from a list of the countries or territories with respect to which the FATF (hereafter – the organization) published reservations regarding their meeting the organization’s recommendations in the matter of prohibition on money laundering and financing terrorism, as published on the Internet web site of the competent authority.

The head of the competent authority may determine that sections 11(a)(3), (6), (7) and (8), 13(2), 14(2)(f) and 16(3)(b) and (c) of the Order shall not apply with respect to some of the countries and territories specified in the aforesaid paragraph; the aforesaid determinations shall be published on the Internet web site of the competent authority.

2. Countries or territories specified in paragraph (1) of the definition “infiltrator” in section 1 of the Prevention of Infiltration (Offenses and Adjudication) Law, 5714 – 1954.

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

Third Schedule

(Section 12(b))

List of Transactions that can be Deemed Unusual Transactions

1. Transactions that appear to be for the purpose of evading the obligation of reporting prescribed in section 11;

2. It appears there is a beneficiary in the account, without the account owner having so declared;

3. Transactions that led the Postal Bank to close the account for reasons relating to the prohibition on money laundering or financing terrorism;

4. Transactions that appear to be intended to substitute for transactions of an organization that was declared an unauthorized association under section 84 of the Emergency Defense Regulations, 1945, or an organization that was declared a terrorist organization under the Prevention of Terrorism Ordinance, 5708 – 1948, or an organization that was designated a terrorist organization under section 2 of the Prohibition on Financing Terrorism Law;

5. Transactions that appear to be made in place of transactions of a person designated a terrorism activist under section 2 of the Prohibition on Financing Terrorism Law;

6. Transactions that appear to lack business or economic logic, with respect to the type of account or behavior of the account owner;

7. Transaction involving a significant sum in an account made by someone holding power of attorney who is not recorded in the account as an authorized signatory;

8. A few transactions in an account in which, for no apparent reason, monies are withdrawn shortly after being deposited, not in the framework of the regular business practice;

9. Transfer of a substantial sum from aboard to Israel, and vice versa, in which the other side to the transaction, source or destination, is not identified by name or account number or identification number;

10. The transaction in the account is not characteristic to the account owner or to the kind of account, for no apparent reason;
11. Unusual scope of transactions or substantial change in account balance, for no apparent reason;
12. A few transactions in the account to the same destination or from the same source, for no apparent reason;
13. Numerous deposits, for no apparent reason, by a person who is not the account owner or authorized signatory;
14. Non-presentation for payment of a bank check in a substantial amount for more than twelve months after it was issued;
15. Management of a few accounts at the Postal Bank on the same name of account owner, which does not comport with transactions of the account owner;
16. Purchase, at great frequency, of cash, traveler's checks, bearer notes or other means of payment, which are not made by means of an account;
17. Regular transfers from, or to, entities in a country or territory listed in the First Schedule;
18. A declaration given under this Order appears to be inaccurate;
19. Transactions of a nonprofit organization with entities in a country or territory listed in the First Schedule;
20. Transactions of a nonprofit organization that is inconsistent with the organization's activity, as far as the Postal Bank knows;
21. A multiplicity of debits or credits from standing bank orders to the account for no apparent reason;
22. Transactions that appear to be intended to evade the obligation of identification.

21 Tevet 5771 (28 December 2010)

Moshe Kahalon
Minister of Communications

Extracts from the Prohibition on Money Laundering (Requirements Regarding Identification, Reporting and Record-Keeping by Insurer and Insurance Agent) Order, 5762-2001

Chapter Two: Obligations of Identification

Registration of identifying particulars

2. (A) An insurer shall not enter into a life insurance contract and shall not perform any transaction under a life insurance –

(1) without making a record of the following identifying particulars in respect of the policy holder, an insured, whoever entering into the insurance contract for the aforesaid, the proxy and the beneficiary in the case of life who is not a beneficiary designated according to relationship or a kin beneficiary:

- (a) name;
- (b) identity number;
- (c) of an individual – the date of birth and sex, of a corporation – the date of incorporation;
- (d) address.

(2) without authenticating the identifying particulars as stated in paragraph (1), as specified in section

(B) An insurer shall not enter into a life insurance contract, perform any transaction under a life insurance contract or add a beneficiary in the case of life who is a kin beneficiary to a life insurance contract, without recording in respect thereof the identifying particulars as stated in subsection (a)(1).

(C) An insurer shall not add to a life insurance contract a proxy or beneficiary in the case of life who is not a beneficiary designated according to relationship or a kin beneficiary, without recording in respect thereof the identifying particulars as stated in subsection (A)(1) and authenticating them as specified in section 3.

(D) An insurer shall not perform any transaction under a life insurance contract under an instruction given by a proxy or beneficiary, without recording in respect thereof the identifying particulars as stated in subsection (A)(1) and authenticating them as specified in section 3.

(E) An insurer shall not perform any transaction under a life insurance contract without recording the identifying particulars of whoever is performing such a transaction, as stated in subsection (A)(1), and authenticating them as specified in section 3; in this subsection, “transaction” - a transaction in the amount of at least 50,000 New Israeli Shekels, excluding a bank transfer where whoever is performing the transfer is not the policy holder, the insured, a proxy, beneficiary in the case of life, or after the death of the insured – the beneficiary in the case of death.

(F) An insurer shall not pay insurance benefits to a beneficiary that is a corporation without recording the particulars of the controlling shareholder therein under subsection (A)(1)(a) and (b); recording of the particulars shall be done according to the declaration appearing in section 4; where the insurer does not have the identity number, after having made reasonable efforts to obtain such number, he shall record instead the particulars in subsection (a)(1)(c) and (d), and the state of nationality.

(G) An insurer shall not pay insurance benefits under a low-premium insurance contract without recording the identifying particulars of the beneficiary as stated in subsection (A)(1) and authenticating them under section 3.

Preservation of identifying documents

5. The insurer shall keep the identifying documents for a term of at least seven years commencing on the year in which its liability under the life insurance contract expired; for this purpose, “identifying documents” - any document delivered for the purpose of identification and authentication.

Chapter Three: Obligations of Reporting

Reporting transactions or events

6. (A) An insurance agent shall report to an insurer who is a party to a life insurance contract of a transaction of payment of insurance monies in cash or travelers’ checks under a life insurance contract, in an amount equivalent to at least 100,000 New Israeli Shekels.

(B) An insurer shall report the transactions and events specified hereunder to the competent authority:

(1) a transaction of payment of insurance monies under a life insurance contract reported under subsection (A);

(2) a transaction of payment of insurance monies under a life insurance contract of an amount equivalent to at least 100,000 New Israeli Shekels;

(3) where the total amount of insurance monies paid to an insurer from the beginning of the year, pursuant to all the life insurance policies of the insured party at the insurer, is in excess of an amount equivalent to 500,000 New Israeli Shekels;

(4) a transaction of receipt of insurance benefits originating in savings contributions, pursuant to a life insurance contract, in an amount equivalent to at least 1,000,000 New Israeli Shekels, transferred abroad upon instruction to the insurer;

(5) a transaction of receipt of insurance benefits originating in savings contributions pursuant to a life insurance contract, in cash or by check not made solely to the beneficiary, in an amount equivalent to at least 200,000 New Israeli Shekels;

(6) a transaction of receipt of insurance benefits under a life insurance contract in the possession of a beneficiary in the case of life in an amount equivalent to at least 1,000,000 New Israeli Shekels, where the current Shekel account for credit delivered to the beneficiary is not in the name of the beneficiary in the case of life;

(7) a transaction of receipt of insurance benefits under a life insurance contract in the possession of a beneficiary in the case of life, who is not an insured person or kin beneficiary, in an amount equivalent to at least 200,000 New Israeli Shekels;

(8) a transaction of receipt of insurance benefits under a life insurance contract in the possession of a beneficiary in the case of life, who is a kin beneficiary, in an amount equivalent to at least 1,000,000 New Israeli Shekels;

(9) a transaction of receipt of insurance benefits originating in savings contributions under a life insurance contract in the possession of a beneficiary in the case of death, in an amount equivalent to at least 1,000,000 New Israeli Shekels;

(10) a transaction of receipt of insurance benefits originating in savings contributions under a life insurance contract which was not reported under paragraphs (4) to (9), in an amount equivalent to at least 1,000,000 New Israeli Shekels;

(11) the total sum of insurance benefits originating in savings contributions paid cumulatively from the beginning of the year, unless they were paid in separate transactions, under all the life insurance contracts of the beneficiary at the insurer, in excess of an amount equivalent to 1,000,000 New Israeli Shekels;

(12) receipt of a loan by a beneficiary against a charge on a life insurance contract in an amount equivalent to at least 1,000,000 New Israeli Shekels.

(C) An insurer and insurance agent shall report to the competent authority any transaction under a life insurance contract which, in view of the information found in their possession, appears to be unusual in their opinion, including any transaction apparently intended to circumvent the obligation of reporting prescribed in subsections (A) and (B), but without need to present questions and examine the facts with the service recipient of the and the executor of the transaction.

Preserving documents

9. An insurer and insurance agent shall preserve the document of instruction for performance of the transaction reported to the competent authority for a term of at least seven years from the completion of the year in which the transaction was performed.

Chapter Four: Miscellaneous

Maintaining and record keeping

10. (A) An insurer shall maintain a computerized database of all the life insurance contracts, and shall include identifying particulars of the policy holders, insured persons, beneficiaries in the case of life, beneficiaries in the case of death and proxy.

(B) An insurer shall keep accessible information on each financial transaction performed under a life insurance policy, for a period of seven years after the conclusion of the year in which its liability expired under the life insurance contract.

Delivery of documents and information

11. An insurer and an insurance agent shall deliver to the supervisor or to any person authorized by him, upon demand, documents, information and explanations in connection with the fulfillment of its obligations under this Order.

Prohibition of Money Laundering (Provident Fund and a Company Managing a Provident Fund Requirements Regarding of Identification and Record-Keeping) Order, 5762-2001

By virtue of the authority vested in me under sections 7 and 32(c) of the Prohibition on Money Laundering Law, 5760-20001 (hereinafter - “the Law”), after consultation with the Minister of Justice and the Minister of Internal Security and with the approval of the Knesset Constitution, Law and Justice Committee, I order as follows:

Definitions

1. In this Order –

“controlling person” means a person who holds a controlling interest in a corporation, as defined in section 7(a)(1)(b) of the Law;

“the Commissioner” means the Commissioner of the Capital Market, Insurance and Savings at the Ministry of Finance;

“the competent authority” is within the definition in section 29 of the Law;

“managing company” as defined in regulation 1 of the Income Tax (Rules for the Authorization and Management of Provident Funds) Regulations, 5724-19642 (hereinafter - “the Income Tax Regulations”);

“account” means self-employed member’s account in a provident fund;

“low amount-of-deposit account” means an account in which the annual deposit therein, in each of the years in which the account exists, does not exceed 20,000 New Israeli Shekels;

“individual” means one who is not a corporation, a public institution or a corporation established abroad under statute;

“public institution” means government ministries, the Jewish Agency for Israel, local authorities, as well as authorities, corporations or other institutions established in Israel under statute;

“beneficiary” means one entitled to receive funds accruing to a member from the fund after his death;

“authorized representative” means a person authorized by a member to act in his account in the provident fund, provided however that he is registered at the fund as a person authorized to act in the account;

“identity number” means –

(1) in the case of an individual who is a resident – the identity number at the Population Registry;

(2) in the case of an individual who is a foreign resident – a passport number or *laissez passer* number and the name of the state in which the passport or *laissez passer* was issued; and in the case of an individual identified according to a document as stated in section 3(a)(6) – the identification number on that document and the name of the state in which the document was issued; where there are letters or more than 9 digits in the identification number, the fund shall record only the last 9 digits and disregard the letters;

(3) in the case of a corporation registered in Israel – the registration number at the appropriate registry;

(4) in the event of a corporation not registered in Israel – the registration number in the state of incorporation, if any, and its address, and where there is no registration of this category of corporations – the registration number allocated to it by the fund in coordination with the competent authority; and

in the case of a corporation identified according to a document as stated in section 3(a)(6) – the identification number in that document and the name of the state in which the document was issued; where there are letters or more than 9 digits in the identifying number – the fund shall record only the last 9 digits and disregard the letters;

(5) in a public institution and a corporation established abroad under statute – the registration number to be allocated to it by the fund in coordination with the competent authority;

“address” means –

(1) in the case of an individual – the address recorded in the document as stated in section 3(a)(1), (2) or (6), as the case may be, and where a different address has been provided – the address provided;

(2) in the case of a corporation – the address recorded in the document as stated in section 3(a)(3) or (4), as the case may be, and where a different address has been provided – the address provided;

(3) in the case of a public institution and a corporation established abroad under statute – the address provided;

“recipient of a service” means a member, a person opening an account for a member, an authorized representative, or - after the death of a member – a beneficiary;

“member” and “independent member” as defined in the Income Tax Regulations;

“transaction” means a single transaction, unless provided otherwise in this Order;

“insurance fund”, “provident benefit fund” and “professional development fund” as defined in the Income Tax Regulations;

“provident fund” means a provident fund as defined under section 47(a)(2) of the Income Tax Ordinance³ that is a provident benefit fund or a professional development fund and that is not an insurance fund;

“fund” means the managing company of a provident fund in respect of the pension fund which it manages, and in the case of a provident fund that is not managed by a managing company, the provident fund;

“name” means –

(1) in the case of an individual – family name and given name, including additional names, if any;

(2) in the case of a corporation – the registered name, and if incorporated in a state in which there is no registration in respect of corporations of this category, the name as provided;

(3) in the case of a corporation incorporated under statute – the name determined in the statute, either in Israel or abroad;

(4) in the case of a public institution, excluding an institution established under statute, the name as provided;

“corporation” means –

(1) a company, partnership, cooperative society, Ottoman society, association, or political party registered in Israel (hereinafter – an “Israeli corporation”);

(2) an entity registered abroad as a corporation or an entity incorporated in a state in which there is no registration in respect of such entities, provided however that it presented a document testifying that it is a corporation (hereinafter - a “foreign corporation”);

“resident” as defined in the Population Registry Law, 5725-19654, including an Israeli national who is not a resident as stated, but is registered in the Population Registry;

“foreign resident” means a person who is not a resident.

Chapter Two: Obligations of Identification

Record of identifying particulars

2. (a) A fund shall not open an account or perform any transaction in an account –

(1) without making a record of the following identifying particulars in respect of the member, a person opening the account for the latter and an authorized representative:

(a) name;

(b) identity number;

(c) in the case of an individual, his date of birth and sex, and in the case of a corporation, the date of incorporation;

(d) address.

(2) without authenticating the identifying particulars stated in paragraph (1), as set forth in section 3.

(b) A fund shall not add an authorized representative to an account without recording his identifying particulars, as stated in subsection (a)(1) and authenticating them as set forth in section 3.

(c) A fund shall not perform any transaction in an account after the death of the member pursuant to an instruction given by a beneficiary without recording his identifying particulars as stated in subsection (a)(1) and authenticating them as set forth in section 3.

(d) A fund shall not perform any transaction in an account without recording in respect of the person performing the transaction the identifying particulars as stated in subsection (a)(1) and authenticating them as set forth in section 3; in this subsection, “transaction” means a transaction in the sum of at least 50,000 New Israeli Shekels, excluding a bank transfer, in an account where the person performing the transaction is not registered therein as a member, authorized representative or, after the death of the member, as a beneficiary.

(e) A fund shall not perform any transaction in an account after the death of the member under an instruction given by a beneficiary who is a corporation, without recording in respect of the controlling persons therein the particulars in subsection (a)(1)(a) and (b); the particulars shall be recorded by a declaration as stated in section 4; where a fund is not in possession of the identity number, after having made reasonable efforts to obtain such number, it shall record instead the particulars in subsection (a)(1)(c) and (d), as well as the state of nationality.

(f) A fund shall not perform a withdrawal transaction from a low-amount-of deposit account without recording in respect of the member or the beneficiary making the withdrawal, as the case may be, the identifying particulars as stated in subsection (a)(1) and authenticating them, as set forth in section 3.

Authentication of particulars and demand for documents

3. (a) A fund shall obtain identifying documents of the recipient of a service in the transactions as stated in section 2(a) to (d) and (f) and shall authenticate his identifying particulars on the date of performance of the transaction or within 30 days of the date of opening the account, as the case may be, but in any event prior to performance of the transaction of withdrawal from the account, all as set forth hereunder:

(1) in the case of an individual who is a resident - for the purposes of recording the identifying particulars in section 2(a)(1)(a) to (c) – according to an identity card, a photocopy of which insofar as it relates to the aforesaid identifying particulars, shall be kept with the fund; the fund shall verify the identifying particulars with the Population Registry at the Ministry of the Interior and shall compare

the date of issue of the card appearing on the card with the last date of issue as registered at the Population Registry; in this paragraph, “identity card” includes an immigrant’s card up to 30 days after the date of its issue, as well as an Israeli passport where the identification is performed abroad;

(2) in the case of an individual who is a foreign resident, for the purpose of recording the identifying particulars in section 2(a)(1)(a) to (c) – according to a foreign passport or laissez passer; the fund shall compare the identifying particulars with another document bearing a photograph and identity number, and in the absence thereof, with a document bearing the name and identity number as well as the address or date of birth, and in the absence thereof, with a credit card; the fund shall obtain photocopies of the documents stated in this paragraph, insofar as they relate to the identifying particulars;

(3) in the case of an Israeli corporation, for the purposes of recording the identifying particulars of the corporation as stated in section 2(a)(1)(a) to (c) – according to a registration certificate; where one of the aforesaid particulars is missing on the certificate – according to a certification from an advocate; the fund shall obtain the following documents:

(a) a certified copy of the registration certificate of the corporation;

(b) a certification from an advocate of the existence, name and identity number of the corporation; alternatively, the fund may authenticate the fact of registration of the corporation with the appropriate registries;

In this paragraph, “advocate” means a person licensed to practice law in Israel;

(4) in the case of a foreign corporation, for the purposes of recording the identifying particulars of a corporation as stated in section 2(a)(1)(a) to (d) – according to a certified copy of a document evidencing registration thereof, insofar as these particulars appear on the document; where one of the aforesaid particulars is missing from the document – according to a certification from an advocate; the fund shall obtain a document evidencing the registration of the corporation and certification as specified in paragraph (3)(b); in the case of a corporation in a state in which there is no registration of corporations of this category – the fund shall obtain certification from an advocate of the fact that no registration exists in the state of incorporation;

(5) in the case of a public institution and a corporation established abroad under statute, for the purposes of registering the name – according to a declaration from the recipient of the service, and in the case of a corporation established under statute – according to a copy received by the fund of the statute under which the corporation was established or an advocate’s certification received by the fund of the existence of the statute;

(6) notwithstanding the provisions of paragraphs (2) and (4), where transactions have been performed abroad to open an account, the fund may record the identifying particulars according to the identifying documents customary in the state in which the identification is performed, provided however that legislation requiring the identification of customers exists in that state; the fund shall retain photocopies of the identifying documents.

(b) Where a fund has obtained identifying particulars of a member or withdrawing beneficiary as stated in section 2 (f), and the total sum of monies owed to him does not exceed 200,000 New Israeli Shekels, such fund shall not be required to authenticate these particulars, as specified in subsection (a).

(c) In this section, “certified copy” means a true copy of the original, authorized by one of the following persons:

(1) the authority issuing the original document;

(2) an advocate holding a license to practice law in Israel;

- (3) a clerk of the fund or bank clerk on behalf of the fund before whom the original document had been presented;
- (4) an authority as noted in section 6 of the Convention Abolishing the Requirement of Legalization for Foreign Public Documents;
- (5) an Israeli diplomatic or consular representative abroad.

Declaration of controlling person and another

4. (a) At the time of opening an account, the fund shall demand a declaration from the member that he is acting on his own behalf.

(b) As a condition for performance of a transaction in an account after the death of the member under an instruction given by the beneficiary, the fund shall demand a declaration from the beneficiary, that he is acting on his own behalf, or on behalf of another person; where a beneficiary has made a declaration that he is acting on behalf of another person, the declaration shall include the particulars stated in section 2(a)(1)(a) and (b) in respect of the other person; where the fund does not possess an identity number, after having made reasonable efforts to obtain such number, it shall record instead the particulars in subsection (a)(1)(c) and (d), in addition to the state of nationality; the fund shall authenticate the aforesaid particulars, as specified in section 3.

(c) As a condition for the performance of a transaction in an account after the death of the member, under an instruction given by a beneficiary who is a corporation, the fund shall demand from the beneficiary a declaration of the authorized signatories on the identifying particulars, as stated in section 2(e), in respect of a controlling person of the corporation

(d) Declarations as stated in subsections (b) and (c) shall be made in accordance with the form in the Schedule.

Preservation of identifying documents

5. A fund shall keep the identifying documents for a term of at least seven years after the account has been closed; for this purpose, “identifying documents” means any document delivered for the purpose of identification and authentication.

Chapter Three: Obligations of Reporting

Reporting transactions or events

6. A fund shall report to the competent authority on the transactions and events as set forth hereunder:

- (1) a transaction of deposit in an account of an amount equivalent to at least 100,000 New Israeli Shekels, excluding a transfer from another provident fund;
- (2) where the total amount of cumulative deposits from the beginning of the year in all the accounts of the member at the provident fund is in excess of an amount equivalent to 500,000 New Israeli Shekels, excluding a transfer from other provident funds;
- (3) a transaction of withdrawal from an account in an amount equivalent to at least 1,000,000 New Israeli Shekels, transferred abroad upon instruction to the fund;
- (4) a transaction of withdrawal from an account, in cash or by check not made solely to the beneficiary, in an amount equivalent to at least 200,000 New Israeli Shekels;
- (5) a transaction of withdrawal from an account in an amount equivalent to at least 1,000,000 New Israeli Shekels, where the current account to be credited, as provided to the fund, is not in the name of the member;

- (6) a transaction of withdrawal from an account by a beneficiary in an amount equivalent to at least 1,000,000 New Israeli Shekels;
- (7) a transaction of withdrawal from an account in an amount equivalent to at least 1,000,000 New Israeli Shekels, not reported under paragraphs (3) and (6);
- (8) where the total cumulative withdrawals from the beginning of the year, except where performed in a single withdrawal, from all the accounts of the member at the pension fund are in excess of an amount equivalent to at least 1,000,000 New Israeli Shekels;
- (9) receipt of a loan by a member under Regulation 30 of the Income Tax Regulations, in an amount equivalent to at least 1,000,000 New Israeli Shekels;
- (10) any transaction in an account which in view of the information found in the possession of the fund purports to be unusual, in its opinion, and inclusive of any transaction whose objective appears to be to circumvent the obligation of reporting prescribed in this section, but without an obligation to present questions and clarify the facts with the recipient of the service and the person performing the transaction.

Particulars of reporting

7. Reporting under section 6 shall include the following particulars:

- (1) in respect of the reported account –
 - (a) the account number;
 - (b) the date of opening the account;
 - (c) the amount invested in the account, as of the final date of assessment;
 - (d) category of provident fund – provident benefit or professional development fund;
 - (e) the date on which monies may be withdrawn from the fund with a tax exemption under the Income Tax Ordinance;
- (2) in respect of the reported transaction or event –
 - (a) the name of the provident fund, its income tax authorization number and the name of the company managing the fund;
 - (b) the date of performance of the transaction, as recorded in the records of the fund;
 - (c) the transaction amount in Israeli currency; in a transaction in foreign currency, the transaction amount shall be calculated according to the representative rate known on the date of recording the transaction;
 - (e) the type of foreign currency in which the transaction was performed;
 - (f) in a report under section 6(1) to (9) – the paragraph number relating to the transaction or event;
 - (g) in a report under section 6(10) – the grounds for reporting, including a description of the transaction for which the report was filed and the attendant circumstances;
 - (h) in a report under section 6(3) and (5) to (9) – also the bank number, branch number and account number of the financial establishments involved in the transaction and the name and address of the financial establishment on the other side, if known;
- (8) particulars of the court file or execution office file, as the case may be, in a withdrawal transaction in realization of a charge or attachment.

(3) In respect of a member, authorized representative and where the member has died, also in respect of the beneficiary, a controlling person and any other person in respect of whom it has been declared as stated in section 4, as well as in a report under section 6(c), in respect of the person performing the transaction –

- (a) name;
- (b) identity number;
- (c) address;
- (d) telephone number, up to two numbers, if known;
- (e) in the case of an individual – date of birth, and in the case of a corporation – the date of incorporation;
- (f) in the case of an individual – sex;
- (g) status (resident, foreign resident, Israeli corporation, foreign corporation).

Prohibition of disclosure and inspection

8. A fund shall not disclose the fact of the existence or non-existence of a report under section 6(10) and shall not allow inspection of documents evidencing any such report, except to the Commissioner under section 12 of the Law, the competent authority or pursuant to a court order.

Preserving documents

9. A fund shall keep the document of instruction for performance of the transaction reported to the competent authority for a term of at least seven years from the conclusion of the year in which the transaction was performed.

Chapter Four: Miscellaneous

Maintaining and preserving records

10. (a) A fund shall maintain a computerized database of all accounts at the provident fund, which shall include identifying particulars required under this Order of the members, authorized representatives and beneficiaries.

(b) A fund shall keep accessible information on each financial transaction performed in the account, for a period of seven years after the conclusion of the year in which the account was closed.

Delivery of documents and information

11. A fund shall deliver to the Commissioner, or to any person authorized by him, upon demand, documents, information and explanations in connection with the fulfillment of its obligations under this Order.

Saving of rights of members

12. A breach of any of the provisions of this Order shall not derogate from any rights of a member in an account.

Restriction of application

13. The provisions of sections 2(a) to (d), 4 and 10 shall not apply to a low amount- of-deposit account.

Commencement and application

14. This Order shall come into effect on the date determined by the Minister of Justice as stated in section 35 of the Law (hereinafter - “the date of commencement”) and shall apply in respect of accounts in force on the date of commencement or opened thereafter.

Transitional provisions

15. (a) Notwithstanding the provisions of section 14, the provisions of sections 2, 3 and 10(a) in respect of accounts opened prior to the date of commencement shall apply on the date of performance of the first transaction in one of the accounts of the member at the fund made commencing on the conclusion of 12 months after the date of commencement.

(b) In the case of a resident and Israeli corporation – inspection of identifying particulars against the appropriate registries shall be deemed authentication pursuant to section 3.

(c) In this section, “transaction” means an initiated transaction which is not a withdrawal of all the monies from the account, including the opening of a new account by the member.

Schedule

(section 4(d))

Beneficiary Declaration Form

Account No.....Name of Pension Fund

I,[name of beneficiary, and in the case of a corporation beneficiary, the name of the corporation], holder of identity number, do hereby declare:

- I am acting on my own behalf.
- I am acting on behalf of another person/persons who is/are:

Name
Identity Number*
Date of Birth or of Incorporation**
Address

Controlling persons in the corporation are the following (to be completed where the declarant is a corporation):

Name	Identity Number*	Date of Birth or of Incorporation**	Address
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

I undertake to notify the insurer of any change in the particulars provided by me above.

date

signature

name of authorized signatory
(corporation beneficiary)

identity number

name of authorized signatory
(individual beneficiary)

identity number

(where the beneficiary is a corporation, the declaration must be stamped with the company seal and signed by those persons authorized to sign on its behalf)

*including the name of the state in which the identifying document was issued

** to be completed where name or identity number is missing

_____ 5762
(_____ 2001)

Silvan Shalom
Minister of Finance

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

Chapter 1: Interpretation

1. In this Order –

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

“Family member” – as defined in the Securities Act, 5728-1968²¹;

Chapter B: Identify details and Customer Due Diligence

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

(b) A Stock Exchange member shall not open an account for a Politically exposed person unless approval to do so has been received from an Office Holder in the Stock Exchange member, including someone directly subordinate to the CEO. Giving such approval shall entail an examination of the risk management of the account holder for money laundering and financing terrorism; if in the course of the business relations it is found that the account holder is a Politically exposed person, the Stock Exchange member shall not perform any transaction in the account until approval is received to continue the relations.

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

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

(1) Name;

(2) Identity number;

²¹ Collected Laws 5728, p. 234

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

(4) Address.

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

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

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

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

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

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

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

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

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

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

(g) A Stock Exchange member shall not carry out any transaction that does not require reporting pursuant to the provisions of section 12 and that is not recorded in an account for which the person performing the transaction is registered as an account holder or authorized signatory, without identifying such person and

recording his name and identity number according to an identifying document as stated in section 4, or according to a document issued by the State of Israel bearing the name, identity number, date of birth and photograph; for the purposes of this paragraph, “transaction” – a transaction performed in the offices of the Stock Exchange member.

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

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

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

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

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

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

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

(a) A confirmed copy of the corporation’s registration certificate.

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

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

- (d) Confirmed copy of a decision by a competent organ of the corporation to open an account with the Stock Exchange member, or confirmation from an attorney that such decision was legally made;
- (e) Confirmed copy of a decision by a competent organ of the corporation regarding its authorized signatories for managing the account, or confirmation from an attorney of the authorized signatories for managing the account;
- (4) With respect to recording the identifying details pursuant to sections 3(a)(1) to (3) for a corporation that is not registered in Israel – according to a document providing its registration or a confirmed copy of such document, if such details appear in the document; if any of the aforesaid details is missing from the document – confirmation from an attorney; the Stock Exchange member will obtain a document showing the registration of the corporation and documents as specified in section (3)(b) to (e); for a corporation incorporated in a country where there is no register of corporations of its type, the Stock Exchange member shall obtain confirmation from an attorney that there is no register in the country of incorporation, and shall retain these documents or photocopies of them;
- (5) With respect to recording the name of a public institution and of a corporation established by legislation overseas – a declaration by the person wishing to open an account, and for a corporation established by legislation, the legislation by virtue of which the corporation was established, or confirmation from an attorney of the existence of such legislation; the Stock Exchange member shall obtain the documents specified in section (3)(d) and (e), *mutatis mutandis*; the Stock Exchange member shall retain these documents or photocopies of them;
- (6) For a recognized body, regarding registration of the name and address – declaration by the individual wishing to open the account, after the Stock Exchange member has learned, from a document, that such individual is authorized to act in the name of the recognized body; the Stock Exchange member shall retain this document or a photocopy of it;
- (7) If actions are taken to open an account outside Israel, notwithstanding the contents of paragraphs (2) and (4), the Stock Exchange member may record the identifying details according to the accepted identification documents for an account of this type in the country where identification is made, and providing that this country has legislation requiring the identification of clients; the Stock Exchange member shall retain photocopies of these documents;
- (8) For a minor under the age of 16 – the identity document of one of his guardians; the Stock Exchange member shall not carry out any transactions initiated by the account holder, up to three months from the day when the account holder turns of 18, unless the contents of paragraph (1) or (2) are met, as applicable.
- (b) In this section, “confirmed copy” – a true copy of the original verified by one of the following:
- (1) The authority that issued the original document.
 - (2) An attorney licensed to practice law in Israel, a notary who is an attorney from one of the OECD countries, or a notary who is an attorney from the country that issued the document to be confirmed, and providing that this country is not listed in the First Addendum;
 - (3) An employee of the Stock Exchange member or an employee of a linked corporation, as defined in the Occupational Act, of a Stock Exchange member, listed in the Third Addendum to the Act, who is shown the original document;
 - (4) An authority as stated in Article 6 of the Convention abolishing the requirement of legalization for foreign public documents (hereinafter: the Convention abolishing the requirement of legalization);
 - (5) An Israeli diplomatic or consular representative outside Israel.

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

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

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

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

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

(b) When opening an account for a corporation, the Stock Exchange member shall demand an original signed declaration from the corporation or confirmation from an attorney of the identification details as stated in section 3(c) for the controlling shareholder of the corporation.

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

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

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

(1) An account of a public institution;

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

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

(4) Account of a recognized body;

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

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

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

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

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

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

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

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

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

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

(1) The Stock Exchange member shall record:

(a) The name of the corporation, and in the case of a branch, also the name of the parent company;

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

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

(d) Names and addresses of the holders of 20% or more of the means of control of the corporation, unless the supervisory authority of the corporation is in Israel or in one of the OECD countries, and its shares or the shares of the company controlling it are traded on the Stock Exchange in Israel or in one of the OECD countries; for this purpose, “means of control” – as defined in the Banking Act (Licensing), 5741-1981²².

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

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

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

²² Collected Laws 5741, p. 232.

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

(a) License from the supervisory authority;

(b) Documents of incorporation;

(c) One of the following:

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

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

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

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

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

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

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

(3) An Israeli diplomatic or consular representative overseas;

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

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

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

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

10. The Stock Exchange member shall retain the identification documents for a period of seven years at least after the account is closed, or after performing a transaction as stated in section 3(f); the identification documents, excluding a declaration given with an original signature, may be retained by means of computerized scan according to the conditions specified in regulation 3a of the Evidence

Regulations (Photographed copies), 5730-1969²³; in this connection, “identification documents “ – any document furnished for the purposes of identification and verification, including a declaration given pursuant to this Order and the principal documents used by the Stock Exchange member to recognize an account holder pursuant to section 2.

Chapter C: Duties of Review and Reporting

11. The Stock Exchange member shall conduct regular reviews of the account holder’s activity 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:

- (1) Ensure that the transactions are consistent with the nature of the account according to his knowledge of the account holder;
- (2) Review activity in the account conducted with countries and territories listed in the First Addendum;
- (3) Perform more intensive review of transactions carried out in the account of a Politically exposed person.

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

- (1) A deposit in an account or withdrawal from it of cash, whether in Israeli or foreign currency, of an amount equivalent to at least 50,000 new shekels.
- (2) A deposit of checks withdrawn by a financial institution outside Israel and payment of checks presented for collection by a financial institution outside Israel for an amount equivalent to at least 1,000,000 new shekels; if the financial institution is located in one of the countries or territories listed in the First Addendum, the Stock Exchange member shall report such a transaction if it is in an amount equivalent to at least 50,000 new shekels;
- (3) A transfer from Israel overseas or from overseas to Israel, through an account, of an amount equivalent to at least 1,000,000 new shekels; in the case of a transfer to or from one of the countries or territories listed in the First Addendum, and also a transfer to or from a correspondent account of a financial institution located in such a country or territory, the Stock Exchange member shall report such a transaction if it is in an amount equivalent to at least 5,000 new shekels;
- (4) Transfer of securities or financial assets from one account to another, whether the other account is with him or with a banking corporation or with another Stock Exchange member, or whether it is a securities account overseas, in an amount equivalent to at least 50,000 new shekels, excluding a transfer to a trustee for custody; in this connection, “transfer to a trustee for custody” – transfer due to a purchase or sale in the Stock Exchange of securities or financial assets in exchange for a transfer of cash, and vice versa, between the account holder’s account with the Stock Exchange member performing the purchase and sale in the Stock Exchange for him, and the account holder’s account with another Stock Exchange member to hold in custody as trustee.
- (5) A cash transaction that is not performed in any account of the account holder, including deposit of cash to be transferred overseas or withdrawal of cash received from overseas, not through the account, whether in Israeli currency or foreign currency, of an amount equivalent to at least 50,000 new shekels, and also such deposit or withdrawal of cash, in an amount equivalent to 5,000 new shekels, carried out with a financial institution in a country or territory listed in the First Addendum.
- (6) Replacing notes and coins in cash, including by exchange, between Israeli currency and foreign currency, for an amount equivalent to at least 50,000 new shekels.

²³ Collected Laws 5730, p. 316; 5765, p. 794.

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

13. (a) A Stock Exchange member shall report any transactions of the service recipient, to the competent authority, including an attempt to perform transactions that in view of the information available to the Stock Exchange member, appear to be unusual.
- (b) Without detracting from the generality of the contents of sub-section (a), any of the transactions specified in the Third Addendum may be deemed unusual transactions.
- (c) The reporting of a transaction pursuant to section 12 does not exempt the Stock Exchange member from the obligation to report pursuant to this section.
-

Chapter E: Miscellaneous

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

- (1) The process of recognizing an account holder;
- (2) Tracking threats of money laundering and financing terrorism, arising, inter alia, from new technologies, particularly those that enable transactions to be carried out other than face to face.

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

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

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

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

First Addendum

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

List of countries and territories

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

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

2. A country or territory as specified in paragraph (1) of the definition of “Infiltrator” in section 1 of the Infiltration Prevention Act (Offenses and Jurisdiction), 5714-1954²⁴.
3. The following countries and territories: Iran, Algeria, Afghanistan, the Palestinian Authority, Libya, the United Arab Emirates, Malaysia, Morocco, Sudan, Somalia, Pakistan, Tunisia.

Second Addendum

(Sections 5(d) and 6(b))

Declaration of beneficiaries and controlling shareholders

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

- There is no beneficiary of the rights embodied in the account except the account holders.
- For an action that is not performed in the framework of any account, there is no beneficiary except the person performing the transaction.
- The account is managed by someone appointed by a court, religious court, the head of the Debt Collection Office, the Inheritance Registrar or any other official body of the State as determined by the chairman of the Securities Authority. Documentation is attached.
- The account is managed for community purposes for the benefit of a large group or an undefined group of beneficiaries, and the balance in the account at the end of each business day, and also any transaction in the account will not involve an amount greater than 50,000 new shekels**.

The purpose of the account is: _____.

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

The purpose of the account is: _____.

There is a beneficiary of the aforesaid rights, but the details of his identity are not yet known. The reason for this: _____. I undertake to furnish the details of the beneficiary as soon as they become known to me.

- The beneficiaries of the transaction/ account are:

Name	Identity number*	Date of birth/ incorporation	Sex
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

²⁴ Collected Laws 5714, p. 160.

- There is no controlling shareholder of the corporation.
- The controlling shareholders of the corporation are:

Name	Identity number*	Date of birth/ incorporation	Sex
_____	_____	_____	_____
_____	_____	_____	_____

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

_____	_____
Date	Signature

* Including the name of the country in which the identification document was issued.

Third Addendum

(Section 13(b))

List of transactions that may appear to be unusual transactions

1. A transaction whose purpose seems to be to bypass the reporting obligation as defined in section 2.
2. A transaction whose purpose seems to be to bypass the identification obligation.
3. There appears to be a beneficiary in the account, although this has not been declared by the account holder.
4. Activity which caused the Stock Exchange member to close the account for reasons of prevention of money laundering or financing terrorism.
5. Activity which appears to be intended to replace the activity of an organization declared as an unlawful association pursuant to regulation 84 of the Defense (emergency) Regulations ,1945²⁵, or an organization declared a terrorist organization pursuant to the Prevention of Terrorism Order, 5708-1948 or an organization declared a terrorist organization pursuant to section 2 of the Prohibition on Financing Terrorism Law;
6. Activity that appears to be intended to replace the activity of a person declared a terrorist activist pursuant to section 2 of the Prohibition on Financing Terrorism Law;
7. Activity which appears to be lacking in business or economic logic, with reference to the type of account or the conduct of the account holders;
8. A transaction in the account, of significant extent, by means of a proxy, who is not registered in the account as an authorized signatory;

²⁵ Official Gazette 1945, Addendum 2, p. 855.

9. A number of transactions in the account in which, without apparent reason, money and securities are withdrawn from the account soon after their deposit, and not as part of a normal business procedure;
10. Transfer of a significant amount from Israel to overseas and vice versa, where the other party to the deal, source or destination, is not identified by name or account number.
11. Action in an account that is not typical for the account holder or the type of account, without apparent reason;
12. Unusual extent of activities or a significant change in the account balance, without apparent reason;
13. Number of transactions in the account to the same destination or from the same source, without apparent reason;
14. Numerous deposits, without apparent reason, by a person who is not the account holder or an authorized signatory;
15. Having a number of accounts with the Stock Exchange member that does not coincide with the activity of the account holder;
16. Regular transfers from entities in a country or territory listed in the First Addendum or to such entities;
17. A declaration given pursuant to this Order, which appears to be incorrect;
18. Activity by a non-profit organization with entities in a country or territory listed in the First Addendum;
19. Activity by a non-profit organization that is not consistent with the organization's activity, insofar as it is known to the Stock Exchange member.

_____, 5770
(_____, 2010)
(HM 3-3112)

Minister of Finance

Extracts from the Prohibition of Money Laundering (Obligations of Portfolio Managers to identify, report and retain lists for the purpose of preventing money laundering and financing terrorism), 5770-2010

Chapter 1: Interpretation

Definitions

1. In this Order –

“Politically Exposed Persons” – overseas resident with a senior public position from outside Israel, 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 the head of state, president, city mayor, judge, member of parliament, member of the government and senior officer in the army or police, or anyone who performs such a role even if the title is different.

“Family member” – as defined in the Securities Act, 5728-1968²⁶;

Chapter B: Customer Due Diligence

Customer Due Diligence

2. (a) A Portfolio Manager shall not commence business relations to manage a managed account without identifying the person who wishes to be a client and without there being a procedure of recognition of the client, according to the degree of risk the client represents for money laundering and financing terrorism; on this matter, “a procedure of recognition of the client” – inter alia, clarifying the source of the money deposited in the managed account, his occupation, and the purpose of opening the managed account; with respect to a foreign resident – also clarifying the account holder’s connection to Israel and whether he is a Politically Exposed Persons; with respect to a business owner – also his type of business; the Portfolio Manager shall document all the aforesaid information.

(b) A Portfolio Manager shall not establish a business relationship to manage an account for a Politically Exposed Persons, unless approval to do so has been received from an Office Holder in the Portfolio Manager, including someone directly subordinate to the CEO. Giving such approval shall entail an examination of the degree of risk of the account owner for money laundering and financing terrorism; if in the course of the business relationship it is found that the client is a Politically Exposed Persons, the Portfolio Manager shall not perform any action in the account until approval as aforesaid is received to continue the relations; in this section, “Office Holder” – as defined in the Companies Act, 5759-1999²⁷.

(c) The Portfolio Manager shall carry out regular reviews with reference to the procedure of recognizing the client as conducted during the course of establishing a business relationship, 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 Portfolio Manager, the Portfolio Manager shall repeat the procedure of recognizing the client.

²⁶ Collected Laws 5728, p. 234

²⁷ Collected Laws 5759, p. 189.

Record-keeping

3(a) A Portfolio Manager shall not establish a business relationship to manage a managed account without recording, for the individual who wishes to be a client and for his proxy, if any, the following identification details and verifying them as specified in section 4:

- (1) Name;
- (2) Identity number;
- (3) For an individual – birth date and sex, for a corporation – date of incorporation;
- (4) Address.

(b) The Portfolio Manager shall not establish a business relationship to manage a managed account without recording, for the Beneficial owner, the details specified in sub-sections (a)(1) and (2); the details shall be recorded pursuant to a declaration as stated in section 5; if the Portfolio Manager does not have the identity number of a Beneficial owner, after taking reasonable measures to obtain it, he shall instead record the details in sub-section (a)(3) and the country of citizenship or incorporation, as applicable; this sub-section shall not apply:

(1) If a Portfolio Manager finds, in the course of establishing a business relationship, that the account is to be managed for the benefit of a Beneficial owner whose identity, according to the declaration of the person wishing to open the account, cannot be known, and the reason given for this is that his identity is not yet known; in such a case the Portfolio Manager will draw the attention of the client, in writing, to his obligation to give the Portfolio Manager the details of such Beneficial owner as soon as they are known;

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

(c) A Portfolio Manager shall not establish a business relationship to manage a managed account for a corporation without recording, with respect to its controlling shareholder, the details in sub-section (a)(1) and (2); the details shall be recorded pursuant to a declaration as stated in section 5; if the Portfolio Manager does not have the identity number, after taking reasonable steps to obtain it, he shall instead record the details in sub-section (a)(3) and the country of citizenship.

(d) A Portfolio Manager shall not add to a portfolio:

- (1) An client or client's proxy, without recording with respect to them the identifying details specified in sub-section (a) and verifying them as specified in section (4);
- (2) A Beneficial owner without recording the identifying details specified in sub-section (b);
- (3) A controlling shareholder of a corporation without recording the identifying details specified in sub-section (c);

(e) An arrangement to manage a managed account and adding a client, adding a Beneficial owner and adding a controlling shareholder shall be accompanied by a declaration as stated in section 5; such a declaration given upon opening an account shall bear an original signature.

Verifying details and requesting documents

4.(a) A Portfolio Manager shall verify the identifying details required for transactions as specified in section 3(a) and (d)(1) and shall obtain the following documents:

(1) for an individual who is a resident, regarding the recording of the identifying details specified in sections 3(a)(1) to (3) – the identity document or certified copy thereof; the Portfolio Manager shall compare the identifying details with another official certificate issued by the State or one of its institutions, bearing a photograph and name or identity number; photocopies of the identifying documents – with respect to the identifying details - shall be retained by the Portfolio Manager; if the individual wishing to be a client (applicant?) fails to present another official certificate, the Portfolio Manager shall verify the identifying details with the Population Registry and shall compare the date of issue shown on the document with the last date of issue of such document recorded in the Population Registry in the Ministry of the Interior; a Portfolio Manager who is a Stock Exchange member or a corporation linked to a Stock Exchange member or a corporation linked to a banking corporation may, instead of comparing the identifying details with another official document as aforesaid, compare them with the Population Registry, and compare the date of issue shown on the document with the last date of issue of such document recorded in the Population Registry in the Ministry of the Interior; the Portfolio Manager shall retain documentation of such comparison; for the purposes of this paragraph:

(a) “Linked corporation” – as defined in the Occupational Act;

(b) A new immigrant certificate shall also be deemed an identity document up to 30 days from its date of issue, and also an Israeli passport when the identification is made outside Israel or when the person responsible for complying with the obligation pursuant to section 8 of the Act is convinced that the individual has permanently ceased residing in Israel, however the obligation to compare the date of issue of the document shall not apply to identification by the aforesaid documents;

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

(3) With respect to recording the identifying details pursuant to sections 3(a)(1) to (3) for a corporation registered in Israel – the registration certificate or a certified copy of it; if one of the aforesaid details is missing in the certificate – confirmation from an attorney; the Portfolio Manager shall obtain and retain these documents or photocopies of them:

(a) A confirmed copy of the corporation’s registration certificate.

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

(c) Confirmation from an attorney of the corporation’s existence, its name and identity number, or the Portfolio Manager shall verify the fact of the corporation’s registration in the appropriate registries;

(d) A confirmed copy of a decision by a competent organ of the corporation to open a managed account, or confirmation from an attorney that such decision was legally made;

(e) A confirmed copy of a decision by a competent organ of the corporation regarding the authorized signatories in the account, or confirmation from an attorney of the authorized signatories in the account;

(4) With respect to recording the identifying details pursuant to sections 3(a)(1) to (3), for a corporation that is not registered in Israel – a document providing its registration or a confirmed copy of such document, if such details appear in the document; if any of the aforesaid details are missing from the document – confirmation from an attorney; the Portfolio Manager shall obtain a document proving the registration of the corporation and documents as specified in section (3)(b) to (e); for a

corporation incorporated in a country where there is no registration of corporations of its type, the Portfolio Manager shall obtain confirmation from an attorney that there is no registration in the country of incorporation, and shall retain these documents or photocopies of them;

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

(6) Regarding registration of the name and address of a recognized body – declaration by the client, after the Portfolio Manager has learned, from a document, that the individual wishing to establish business relations with him is authorized to act in the name of the recognized body; the Portfolio Manager shall retain this document or a photocopy thereof;

(7) For a minor under the age of 16 – the identity document of one of his guardians; account owner the Portfolio Manager shall not carry out any transaction initiated by the client up to three months from the day the account owner turns 18, unless the contents of paragraph (1) or (2) are met, as applicable.

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

(1) The authority that issued the original document.

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

(3) An employee of the Portfolio Manager or an employee of a linked corporation, as defined in the Occupational Act, of a Portfolio Manager, listed in the Third Addendum to the Act, who is shown the original document;

(4) An authority as stated in Article 6 of the Convention abolishing the requirement of legalization for foreign public documents (hereinafter: the Convention abolishing the requirement of legalization));

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

(c) A Portfolio Manager shall take reasonable measures with respect to the risk of money laundering and financing terrorism to verify the identification details of a Beneficial owner 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 Portfolio Manager may verify such identification details with the Population Registry.

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

Declaration by a controlling shareholder and a Beneficial owner

5.(a) Before establishing business relations to manage a managed account, the Portfolio Manager shall ask the individual wishing to be a client for a signed original declaration of whether there is a Beneficial owner of the account; the declaration by such individual that there is a Beneficial owner of the account shall include the following details:

(1) The details specified in section 3(b) for each of the beneficiaries; if the Beneficial owner is unknown, as stated in section 3(b), the individual wishing to be a client shall declare accordingly;

(2) A declaration that the same details have also been given to the banking corporation or to the Stock Exchange member who holds the managed account.

(b) Before entering into business relations with a corporation, the Portfolio Manager shall demand an original signed declaration from the corporation or confirmation from an attorney of the identification details as stated in section 3(c) of the controlling shareholder of the corporation.

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

Partial exemption

6.(a) The contents of sections 3(b) and (d)(2) and also 5(a) regarding registration of a Beneficial owner in a managed account shall not apply to:

(1) An account of a banking corporation, Postal Bank, insurer, Portfolio Manager, provident fund and a managing company for the provident fund it manages and an account for a fund;

(2) A managed account of a public institution;

(3) A managed account of a recognized body;

(4) A managed account for a public religious building registered in the Register of Public Religious Buildings;

(5) An account for a Rabbinical public building for which confirmation has been given by the Rabbinical Court that it is a Rabbinical religious building intended for public purposes, unless the Portfolio Manager receives notice from the Rabbinical Court that such confirmation has been cancelled;

(6) A managed account that is managed for community purposes for the benefit of a large or undefined group of beneficiaries, providing that confirmation thereof is furnished by the person responsible for compliance with the obligations pursuant to section 8 of the Act; opening such an account shall be subject to a declaration bearing an original signature, according to the form in the Second Addendum, by the individual wishing to open it, of the special purpose of the account.

(7) A managed account that is managed for community purposes for the benefit of a large or undefined group of beneficiaries, providing that the balance in the account is no more than 50,000 new shekels; opening such an account shall be subject to a declaration bearing an original signature, according to the form in the Second Addendum, by the individual wishing to open it, of the special purpose of the account.

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

(b) If the client ceases to comply with one of the conditions stated in sub-sections (a)(6) to (8), he shall be sent a warning; if the client continues to act on the account after receiving such a warning, the Portfolio Manager shall not perform any initiated action in the account, unless the client completes a declaration regarding the Beneficial owner pursuant to section 5.

(c) The contents of sub-sections 3(c) and (d)(3) and 5(b) regarding registration of a controlling shareholder shall not apply to the managed accounts of a banking corporation, an insurer, a fund, a provident fund, a managing company for the provident fund under its management, or a company whose securities are traded on the Tel Aviv Stock Exchange or the Stock Exchange of a member country of the OECD, nor to the account of any other type of corporation as instructed by the chairman of the Authority; in this section, "Stock Exchange" a securities exchange or a regulated market as defined in the Joint Investments in Trust Act, 5744-1994²⁸.

²⁸ Collected Laws 5744, p. 308.

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

Face to face identification

7.(a) A Portfolio Manager shall identify the client and the proxy face to face according to the identity documents as specified in section 4, before establishing a business relationship to open a managed account as stated in section 3; in this connection, “face to face identification” – identification by one of the following:

- (1) The Portfolio Manager or any of his employees;
- (2) The holder of a license to practice law in Israel;
- (3) An Israeli diplomatic or consular representative overseas;
- (4) An authority indicated in Article 6 of the Convention abolishing the requirement of legalization.

(b) The Portfolio Manager shall record the details of the person performing the identification.

Retaining the identification documents

8. The Portfolio Manager shall retain the identification documents for a period of seven years at least following the termination of the business relations; the identification documents, excluding a declaration given with an original signature, may be retained by means of computerized scan according to the conditions specified in regulation 3a of the Evidence Regulations (Photographed copies), 5730-1969²⁹; in this connection, “identification documents” – any document furnished for the purposes of identification and verification, including a declaration given pursuant to this Order and the principal documents used by the Portfolio Manager to recognize the client pursuant to section 2.

Chapter C: Duties of Review and Reporting

Review of activity in the account

9. The Portfolio Manager shall conduct regular reviews of initiated activity by the client in the managed account, insofar as he is aware of them, 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 Portfolio Manager shall:

- (1) Ensure that the transactions are consistent with the nature of the managed account according to his knowledge of the client;
- (2) Perform more intensive review of the activity in the managed account of a Politically Exposed Persons.

Reporting by the Portfolio Manager

10.(a) A Portfolio Manager shall report to the competent authority any transactions in a managed account, including an attempt to perform transactions that in view of the information available to the Portfolio Manager, appear to be unusual.

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

²⁹ Collected Laws 5730, p. 316; 5765, p. 794.

Managing and retaining records

17.(a)The Portfolio Manager shall maintain a computer database of the numbers of the accounts he manages, and of all details to be required pursuant to this Order, including an indication of any items that have been requested and have not been provided.

(b)The Portfolio Manager shall retain all documents relating to a transaction:

(1)At the client’s initiative, for a period of seven years from the date of the transaction.

(2)That has been reported to the competent authority and the report itself for a period of seven years from the date of the transaction.

(c)The Portfolio Manager shall retain written documentation of checks of activity as aforesaid in subsection (b) and their findings for a period of seven years.

Submitting documents, information and explanations

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

First Addendum

(Section 4(b)(2))

List of countries and territories

1. A country or territory as determined by the head of the Competent Authority, considering, inter alia, the list of countries or territories for which the FATF has published reservations regarding their compliance with the organization’s recommendations for prohibiting money laundering and the financing of terrorism. Such determination shall be published on the website of the Competent Authority.
2. A country or territory as specified in paragraph (1) of the definition of “Infiltrator” in section 1 of the Infiltration Prevention Act (Offenses and Jurisdiction), 5714-1954³⁰.
3. The following countries and territories: Iran, Algeria, Afghanistan, the Palestinian Authority, Libya, the United Arab Emirates, Malaysia, Morocco, Sudan, Somalia, Pakistan, Tunisia.

³⁰ Collected Laws 5714, p. 160.

Second Addendum

(Sections 5(c) and 6(a)(6) and (7))

Declaration of beneficiaries and controlling shareholders

I (full name of individual wishing to be a client and for a corporation – name of the corporation), identity number, hereby declare that:

- I am acting solely for myself.
- There is a Beneficial owner of the aforesaid rights, but the details of his identity are not yet known. The reason for this: _____. I undertake to furnish the details of the Beneficial owner as soon as they become known to me.
- The beneficiaries of the transaction/ account are:

Name	Identity number*	Date of birth/ incorporation	Sex
_____	_____	_____	_____
_____	_____	_____	_____

The connection between me and any other/s listed above is: _____.

- The aforesaid details of the Beneficial owner of the account are the same details that I have furnished to the Banking Corporation/ Stock Exchange member where the account is held.
- The aforesaid details of the Beneficial owner of the account are not the same details that I have furnished to the Banking Corporation/ Stock Exchange member where the account is held. The reason for this: _____.
- The account is managed for community purposes for the benefit of a large group or an undefined group of beneficiaries, and the balance of the account will not exceed 50,000 new Shekels; The purpose of the account is: _____.
- The account is managed for community purposes for the benefit of a large group or an undefined group of beneficiaries (subject to approval by the person responsible for compliance with the obligations pursuant to section 8 of the Act). The purpose of the account is: _____.

To be completed by a corporation:

- There is no controlling shareholder of the corporation.
- The controlling shareholder of the corporation are:
-

Name	Identity number*	Date of birth/ incorporation	Sex
_____	_____	_____	_____
_____	_____	_____	_____

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

Date

Signature

- Including the name of the country where the identity document was issued.

_____, 5770
(_____, 2010)
(HM 3-3112)

Yuval Steinitz
Minister of Finance

An Ordinance to Prohibit Money Laundering (Requirements Regarding Identification, Reporting and Record-Keeping by provider of currency services) Order, 5762-2002

By virtue of the power vested in me under sections 7 (b) and (c) and 32 (c) of the Prohibition on Money Laundering Law, 5760-2000 (hereinafter – “the Law”), following consultation with the Minister of Justice and the Minister for Internal Security, and with the approval of the Knesset Constitution, Law and Justice Committee, I hereby order as follows:

Chapter A: Interpretation

Definitions:

1. In this Order-

“holder of controlling interest”- the person who has control – of a corporation– as defined in section 7 (a)(1)(b) of the Law;

“the Supervisor” – the Registrar appointed under section 11B(a) of the Law;”;

“competent authority” - as defined in section 29 of the Law;

“individual” – one who is not a corporation, nor a public institution, nor a corporation established abroad by enactment;

“public institution” - government departments, the Jewish Agency for Israel, local authorities and other authorities, corporations or other institutions established by enactment in Israel;

“currency” - as defined in section 11A of the Law;”;

“identity number” –

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

(2) of an individual who is a foreign resident – passport number or laissez passer and the name of the country that issued the passport or transit certificate;

(3) of a corporation registered in Israel – its registered number in the relevant register;

(4) of a corporation not registered in Israel – its registration number in the state of incorporation, if it exists, and its name; and if no registration exists for that kind of corporation – the details registered in the document of incorporation of the corporation;

(5) of a public institution and a foreign corporation established abroad by enactment - the registration number issued by the money changer in coordination with the Competent Authority;

“address” -

(1) of an individual who is a resident – the address recorded in a document pursuant to subsection 3(a) or if the individual has supplied another address, that other address;

(2) of an individual who is a foreign resident – the address recorded in a document pursuant to section 3(b) or another permanent address if the individual has supplied one, as well as his address during his stay in Israel;

(3) of a corporation, public institution, or a corporation established abroad by enactment – the address recorded in a document pursuant to section 3(c).

“applicant for a service” - a person who applies for service from a provider of currency services, whether for himself or for another person;

“recipient of the service” – the person who receives a service from a provider of currency services, even if another person requested the service for him:

“name”

- (1) of an individual – his family name and given name, including additional names, if any;
- (2) of a corporation - its registered name, and if incorporated in another state in which there is no registration of that kind of corporation – the name recorded in a document pursuant to section 3(c);
- (3) of a corporation established by enactment – the name given to it in the enactment, whether in Israel or abroad;
- (4) of a public institution, with the exception of a corporation established by enactment – the name as recorded in a document pursuant to section 3(c).

“corporation”

- (1) a company, partnership, cooperative society, Ottoman society, association, or political party registered in Israel (hereinafter – an Israeli corporation);
- (2) an entity registered abroad as a corporation or an entity that was incorporated in a state in which there is no registration of entities of that category, provided that a document was presented attesting to its being a corporation (hereinafter – a foreign corporation);

“resident” – in accordance with its meaning in the Population Registry Law, 5725-1965, including an Israeli citizen registered in the Population Registry who is not a resident;

“foreign resident” – someone who is not a resident.

Chapter B: Requirements as to Identification

Recording of identifying particulars

2. (a) A provider of currency services shall not provide currency services as specified in section 6”, without recording the following identifying particulars of the applicant for the service and the recipient of the service and authenticating them, as specified in section 3:

- (1) name:
- (2) identity number
- (3) for an individual - date of birth and gender; for a corporation – date of incorporation;
- (4) address.

Authentication of details

3. The provider of currency services shall authenticate the identifying particulars that are required as specified in section 2 and shall receive the following documents:

- (1) for a applicant for the service who is a resident, with respect to the recording of identifying particulars specified in section 2(a) – (c), in accordance with the identity card, a photocopy of which – to the extent that it relates to the said identifying particulars – shall remain with the money changer. The money changer shall compare the identifying particulars with another document, which bears a picture and an identity number and if there is none, a document with the same name or identity number; as well as address and date of birth and, if there is none, with a credit card;

(2) for a applicant for the service who is a non-resident, with respect to the recording of identifying particulars specified in section 2(a) to (c) – in accordance with the foreign passport or laissez passer, a photocopy of which – to the extent that it relates to the identifying particulars - shall remain with the money changer; the money changer shall compare the identifying details with an additional document bearing a picture and identity number and, if there is none, a document with the name or identity number as well as address and date of birth and, if there is none, with a credit card;

(3) for a applicant for the service who is not a recipient of the service, with respect to the recording of the identifying particulars specified in section 2(a) – (d), in accordance with the power of attorney or trust instrument, as the case may be, from the recipient of the service, authorizing the applicant for the service to perform the currency conversion for him, which includes all the identifying particulars of the recipient of the service. A copy of the power of attorney or trust instrument, as the case may be, shall remain with the money changer; if the recipient of the service was a corporation, the power of attorney or the bill of trust, respectively shall include the identifying particulars as specified in section 2(a) – (d), of all of the holders of controlling interests; the provisions of this subsection regarding the recording of the identifying particulars of the holders of controlling interests, shall not apply to a corporation the securities of which are traded on a stock exchange in Israel or in another state, provided that a certificate by an advocate has been given to that effect.

Declaration of the applicant for the service

4. (1) Prior to the provision of currency services as stipulated in section 2, the provider of currency services shall request that the applicant for the service give a declaration in the format set out in subsection (a) of the First Schedule, attesting that he is acting on his own behalf;

(2) In the case of an applicant for the service who is not a recipient of the service, the provider of currency services shall require a declaration in the format set out in subsection (b) of the First Schedule, attesting to his not being a recipient of the service. In the declaration the identifying particulars of the recipient of the service shall be specified; where the applicant for the service has made such a declaration as stated, he shall give the provider of currency services a copy of the power of attorney or of the trust instrument, as the case may be, as stated in section 3(c).

Personal identification

5. The provider of currency services shall personally identify the applicant for the service prior to the providing the currency service as stated in section 2; for purposes of this subsection “personal identification” shall include identification by one of the employees of the provider of the currency services.

Chapter C: Requirements as to Reporting

Reporting by provider of currency services

6. (a) A provider of currency services shall report to the competent authority in the cases specified below:

(1) on the provision of currency services as provided in section 11C(a)(5) of the Law – if the value of the service provided is at least 500,000 New Shekalim; where the service was provided in cash or travelers’ checks or in exchange for making such assets available, or where the commission for discounting of checks, bills of exchange or promissory notes was expressed in foreign currency, or in a currency different to that of the financial asset being discounted – if the value of the service provided is at least 50,000 New Shekalim;

(2) on the provision of currency services as provided in section 11C(a)(1) to (4) of the Law – if the value of the service provided is equivalent to at least 50,000 New Shekalim.”

(b) A provider of currency services shall report to the competent authority regarding the activities of a service applicant which appear to him to be irregular, but without need to question and clarify the facts with the applicant for the service and the recipient of the service; without prejudice to the generality of this subsection, any of the activities specified below, may be regarded as irregular;

(1) activities the aim of which appears to be to circumvent the reporting requirement as stipulated in subsection (a);

(2) Where it appears that the applicant for the service is not the recipient of the service, despite the applicant for the service having declared that he is performing the currency services for himself only.

(3) provision of currency services as provided in section 11C(a)(3) of the Law when one party to the transaction, either the source or the destination, does not identify himself by name and identity number – if the value of the transaction is at least 1,000 New Shekalim;

(4) in the opinion of the provider of the currency service, the service provided is not a characteristic one for the recipient of the service;

(c) On the 1st of January of each year, the Minister of Finance shall publish the amounts specified in subsections (a) and (b), as adjusted in accordance with the rate of the new index as opposed to the basic index: the adjusted sums shall be rounded off to multiples of 1000; in this subsection “index” and “the new index” – as defined in section 33(c) of the Law; “the basic index” – the last index published prior to the previous adjustment date; and as regards the first adjustment day after the commence of this Order - the index published in the month of June 2002

Details of report

7. A report pursuant to section 6 shall include the following details:

(1) For a provider of currency services

(a) name;

(b) identity number;

(c) address;

(d) telephone number, until two numbers;

(e) facsimile number;

(f) name and identity number of the authenticator of details.

(g) the registered number of a provider of currency services in the Register, as defined in section 11B(b) of the Law;

(h) the registered number of the branch in which the currency service was provided and its address;

(2) Regarding the service provided

(a) date of service provided, as recorded with the provider of currency services;

(b) sum of transaction in Israeli currency; in a transaction exclusively in foreign currency, the sum of the transaction shall be calculated according to the representative rate known on the day of performance of the transaction in foreign currency received by the provider of currency services

(c) the category of service provided and the types of currency in which the transaction was performed; for this purpose “category of the service”– as specified in section 11C(a)(1) – (5) of the Law.

(d) (d) In reporting on a currency service in accordance with section 11C (a)(3) – the identifying particulars of those involved in the transaction, including the number of the bank, the number of the branch, the account number in the financial institutions involved in the transaction, the name of the financial institution of the other party and its address, if known;

(e) (e) in reporting on a currency service as provided in section 11C(a)(5):

(1) on discounting checks: the account number and details of the institution on which each check was drawn, identifying particulars of the account holder, his address and his telephone number as they appear on the check, and the name of the person to whose order the check was drawn; there shall be appended to the report a photocopy of both sides of the check;

(2) on discounting bills of exchange and promissory notes - identifying particulars and address of the drawer of the bill and the drawee, as they appear on the bill; there shall be appended to the report a photocopy of both sides of the bill of exchange or promissory note.”

(3) Regarding the applicant for the service and the recipient of the service -

(a) name;

(b) identity number;

(c) address; for an individual who is a non-resident currently in Israel – also the address during the period of his stay in Israel;

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

(e) for a single person – birth date and gender; for a corporation – date of incorporation

8. Prohibition of disclosure and inspection

A provider of currency services shall not disclose the existence or nonexistence of a report pursuant to section 6(b), nor shall he allow inspection of documents attesting to such report, except to the Supervisor, the competent authority or pursuant to a court order

Chapter D: Miscellaneous

9. Preserving documents

(1) A provider of currency services shall preserve the declaration of the applicant for service as referred to in section 4, as well as the identifying documents; for this purpose – “identifying documents” means: any document submitted for purposes of identification and authentication.

(2) A provider of currency services shall preserve all the reporting details required under section 7 of the principal Order;

(3) A provider of currency services shall preserve the documents as referred to in subsections (a) and (b) together, and in an accessible manner for a period of at least seven years from the end of the year in which the currency conversion was performed.

10. Submission of documents and information

The provider of currency services shall, upon demand submit to the Registrar or a person authorized by him - documents, information and explanations relating to the discharging of his obligations under this

Order; where the Inspector has authorized a person who is not a civil servant – such person shall be subject to the duty of confidentiality obligations applying to documents, information and explanations given to him.

Commencement

11. This Order shall come into effect thirty days after the date of its publication.

Control of Financial Services (Insurance) (Board of Directors and its Committees) Regulations, 5767-2007

By virtue of the power vested in me under Articles 41F(a), 41I(b) and 112 of the Control of Financial Services (Insurance) Law, 5741-1981 (hereinafter – the Control of Insurance Law) and under Article 10(a) of the Control of Financial Services Law (Provident Funds), 5765-2005 (hereinafter – the Provident Funds Law) and with the approval of the Knesset Finance Committee, I enact these regulations:

Definitions:

1. in these Regulations –

"External Director" – as defined in the Companies Law; in the matter of Article 240 (b) of said Law –

(1) An affinity shall also exist preventing an appointment thereunder:

(a) With a connection to a person who holds 10% or more of a certain type of means of control in the company at the time of the appointment;

(b) In the holding of shares, except for negotiable shares at a rate that does not exceed 1% of their issued nominal value;

(2) The Companies Regulations (Matters That Do Not Constitute An Affinity) Regulations, 5767-2006 with the following amendment:

Regulation 2 shall be read as if stated:

Term of office of Director

2. An insurer shall be entitled to appoint as an External Director a person serving as an external Director in the parent company of the insurer or in another institutional entity under its control or under the control of the controlling shareholder therein, and this shall not be deemed an affinity, provided that in the matter of Article 245 of the Companies Law, the term of his appointment shall be deemed to have commenced upon his initial appointment in the parent company, or in the other institutional entity, as the case may be; in this matter, "insurer" and "institutional entity" are as defined in the Control of Financial Services (Insurance) Law, 5741-1981;

The "Parent Company of the Insurer" – as defined in the Control of Financial Services (Insurance) (Board of Directors and its Committees) Regulations, 5767-2007;

"Parent Company of the Insurer" – a corporation in which the following to exist:

(1) It holds more than half of a certain type of means of control in the insurer;

(2) More than half of all its assets are means of control in insurers or managing companies;

"Managing Company of a Provident Fund" – except for the managing company of a pension fund;

"Securities Law" – the Securities Law, 5728-1968;

"Accounting and Financial Expertise" – as defined in Article 240 (a1) of the Companies Law;

"Officer" – as defined in the Companies Law;

"Pension Fund" – provident fund for pensions which is not an insurance fund;

"Similar Corporation" – a corporation that is one of the following:

- (1) An insurer or corporation dealing with insurance in a foreign country that has been given a BBB or higher rate by a rating company;
- (2) The parent company of an insurer;
- (3) A Provident Fund or Managing Company of a Provident Fund;
- (4) Of banking corporation as defined in the Banking (Licensing) Law, 5741-1981 (hereinafter – the Banking Law).

Chapter 1: Board of Directors of an Insurer

Composition of the Board of Directors

2. The following must exist in the insurer's Board of Directors:

- (1) At least one third of the members shall be External Directors and in a Board of Directors encompassing more than twelve members, only four may be External Directors;
- (2) For at least half of the External Directors therein, one of the following must be fulfilled:
 - (a) The Director has clear and proven expertise in the field of insurance, and a director of the insurer as stated in Article 15 (a1) of the Control of Insurance Law has clear and proven expertise in the field of pensions or insurance, and he acted in his field of expertise as stated for at least three years; in this matter, anyone in whom that stated in Regulation 3(2)(b) or (c) is fulfilled shall be deemed to have clear and proven expertise in the field of insurance or pensions, as the case may be;
 - (b) A term of office, for at least three years, as CEO of a Similar Corporation or an Officer or senior functionary therein in one of the following fields:
 - (1) financial management;
 - (2) investment management;
 - (3) division manager responsible for insurance products and in an insurer as stated in Article 15 (1a) of the Control of Insurance Law – management of the division responsible for pension funds;
 - (4) legal advice;
 - (5) internal auditing;
- (3) At least half the External Directors therein shall possess Accounting and Financial Expertise;
- (4) The number of Directors therein also serving as Directors in an entity listed in the First Addendum to the Securities Law, except for paragraph (11) therein, shall not exceed one third of the overall number, without derogating from the provisions of paragraph (3) of Regulation 4; in this matter, a term of office that is not prohibited under the beginning of said paragraph (3) shall not be taken into account;
- (5) All of the Directors shall be permanent and no alternate shall be appointed for them.

Director's qualifications

3. A director may not be appointed nor may he hold office in the insurer unless all the following are fulfilled:
- (1) He is an individual;

(2) He fulfills one or more of the following:

(a) He possesses an academic degree from an institution of higher education in Israel or an institution of higher education outside of Israel in a country that is a member of the OECD organization or an institution of higher education outside of Israel that was recognized by an institution of higher education in Israel, in one or more of the fields set forth below, and engaged in the field in which he earned said degree, for at least three years:

(1) insurance;

(2) law;

(3) economics;

(4) accounting;

(5) statistics;

(6) business administration;

(7) actuarial;

(8) internal auditing;

(9) another field approved by the Commissioner that is connected to the activities of the insurer to whose Board of Directors he is appointed;

(b) He is qualified to serve as the Actuary in Charge as this is defined in Article 41D of the Control of Insurance Law;

(c) He is qualified to serve as risk manager in the insurer;

(d) He served as the CEO of a corporation listed in the First Addendum to the Securities Law, or as an Officer or senior functionary therein, in one of the fields listed in Regulation 2(2)(b), for at least three years;

(e) He possesses a certified public accountant's license as this is defined in Article 4 of the Auditors Law, 5715-1955, or he possesses a license pursuant to the Financial Consulting and Marketing Law or he possesses a license as defined in the Regulation of Investment Consulting and Investment Portfolio Management Law, 5755-1995 (hereinafter – the Investments Consulting Law) or he possesses an insurance agent's license and he acted as the holder of said license for at least three years;

(f) He served in a senior position in the business management of a corporation with a significant scope of assets or in a senior public position for at least three years;

(g) He possesses business education and experience which, in the opinion of the Commissioner, qualify him to serve as a director, notwithstanding the fact that one of the conditions listed in subparagraphs (a) to (f) is not fulfilled;

(3) He declared in writing, in the text provided by the Commissioner, that he fulfills the conditions required by this Regulation, in Regulation 4 and, with regard to his having an affinity in a corporation in a sub-industry as stated in Regulation 9, and that he possesses suitable qualifications to serve in the insurer, taking into account the nature and scope of the insurer's activities; said declaration shall be kept at the Registered Office of the Insurer.

Restrictions on appointment of a director

4. A person who fulfills one or more of the following shall not be appointed and shall not serve as a director in the insuree:

- (1) His other occupations do not allow him sufficient time to fulfill his duties;
- (2) He is an employee of the insurer, unless he is the CEO or he is employed by a company that is controlled by the insurer or in which the insurer holds 20% or more of a certain type of means of control therein;
- (3) He is serving as an Officer, member of an investment committee or is employed in another institutional entity that is not controlled by the insurer in which he was appointed as a director or of the controlling shareholder therein, or he is serving as an Officer or employee in a company that controls an institutional entity as stated, unless the Commissioner approved such term of office or employment as not arousing any concern of a conflict of interest; this paragraph shall not apply to anyone serving as an Officer or employee in another insurer that is not authorized to deal in branches of insurance in which the insurer, to which he has been appointed, is authorized to deal, or to an Officer or employee in a managing company if the insurer to which he is appointed is not authorized to deal in life insurance; and in this matter –
 - "Institutional Entity" – including a banking corporation;
 - "Life Insurance" – as defined in the Control of Insurance Business Regulations (Minimum Equity Required of Insurer), 5758-1998;
- (4) He was convicted in a final judgment of one of the offenses set forth below, unless seven years have elapsed from the date of the rendering of the judgment that convicted him or the court determined that the conviction, taking into consideration the nature, severity and circumstances thereof, does not prevent a term of office as stated; below are the offenses:
 - (a) An offense under Articles 104 to 105 of the Control of Insurance Law, under Articles 49 to 52 of the Provident Fund Law, under Articles 38 to 41 of the Financial Consulting and Marketing Law, under Articles 49 and 50 of the Banking law, under Article 15 of the Banking Ordinance, 1941, under Articles 123 to 128 of the Joint Investments in Trust Law, 5754-1994 (hereinafter – the Joint Investments Law), and under Articles 39 and 40 of the Investments Consulting Law.
 - (b) An offense under Articles 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the He law and under Articles 52C, 52D, 53(a) and 54 of the Securities Law;
 - (c) An offense under Articles 47 to 48 of the Antitrust Law, 5748-1988;
 - (d) Offenses of bribery, fraud, corporate management offenses are offenses of utilizing insider information of which he was convicted by a court outside of Israel;
 - (e) Another offense for which a court determined that, due to its nature, severity and circumstances, he is not fit to serve as a director of a public company or the insurer;
- (5) If an indictment is brought against a candidate for appointment to the office of director, for an offense as stated in section (4), or a criminal investigation against him is in progress due to a suspicion of his having committed an offense as stated, the Commissioner shall be entitled, after the candidate has been given an opportunity to make his arguments, to determine that he is not fit to be appointed as a director of the insurer, taking into account the nature, severity and circumstances of the crime ascribed to him;
- (6) If an indictment is brought against a person serving as a director, for an offense as stated in section (4) or a criminal investigation it opened against him due to a suspicion of his having committed an offense as stated, the Commissioner shall be entitled, after consulting with the committee and after he has been given the opportunity to make his arguments before it, in the manner directed, to determine that he is not fit to serve as a director in the insurer, taking into account the nature, severity and circumstances of the offense ascribed to him.

Chairman and acting chairman of the Board of Directors

5. (A) The chairman of the Board of Directors shall be such that his permanent seat shall be in Israel, however, in an insurer in which the holder of controlling interest is not a resident of Israel, it is possible for the permanent seat of the chairman of the board of directors to be outside of Israel, provided that this does not prevent his attending discussions with the Commissioner as required.

(B) The chairman of the Board of Directors shall not be an External Director.

(C) Should the chairman of the Board of Directors be absent from a meeting of the Board of Directors or prevented from fulfilling his duties, the Board of Directors of the insurer shall elect one of its members, who is qualified to serve as chairman of the Board of Directors, as a substitute for the chairman in his absence.

(D) The acting chairman of the Board of Directors shall be subject to all the provisions applying to the chairman.

Attendance

6. (A) A director shall attend at least half the meetings of the Board of Directors in the course of a year and shall not be absent from more than four consecutive meetings of the Board of Directors.

(B) Should a director not act pursuant to the provisions of subregulation (A), the Director shall resign his office and his resignation shall take effect no later than the date of the first meeting of the Board of Directors after he did not act as stated (hereinafter – the Date of Termination of Office); however, the Board of Directors shall be entitled, under special circumstances that shall be recorded, to approve the continued term of office of a director who did not act pursuant to the provisions of subregulation (A), provided that he was not absent from meetings of the Board of Directors for over six consecutive months.

(C) If a director does not resign pursuant to the provisions of subregulation (B) until the Date of Termination of Office, his term of office shall expire on the Date of Termination of Office, unless the continuation thereof has been approved as stated.

(D) Someone who is not a member of the Board of Directors shall not participate in meetings of the Board of Directors, except for the following: a legal adviser, the person responsible for documenting the meetings, an officer in the insurer, the auditing accountant of the insurer, the internal auditor of the insurer, an appointed actuary of the insurer, a risk manager of the insurer and anyone required for the purpose of presenting a particular issue discussed at the meeting, as long as his participation is required as stated; however, joint Board of Directors meetings and beheld for the insurer, the parent company of the insurer and an Institutional Entity controlled thereby or controlled by the insurer, for the purpose of presenting joint issues, provided that the resolutions of the boards of directors are passed separately.

Quorum

7. The quorum for a meeting of the Board of Directors shall be a majority of members of the Board of Directors, provided that the number of External Directors present at the meeting shall be as set forth below:

(1) In a Board of Directors composed of up to 11 members – at least two External Directors;

(2) In a Board of Directors composed of more than 11 directors – at least three External Directors.

Issues for discussion

8. (A) The Board of Directors of the insurer shall discuss and resolve issues which, pursuant to the Companies Law, it must discuss and resolve, as well as the following:

(1) Determining the frequency of meetings for the coming year;

- (2) Determining the general strategy of the insurer, the insurer's long-term objectives and approving the annual work plan;
- (3) Approving and following up on the insurer's comprehensive budget, at least once each quarter, after the actual implementation of the budgetary plan;
- (4) The business status of the insurer;
- (5) Determining unusual circumstances with a substantive impact which must be discussed immediately or promptly, according to the circumstances, including alleged violations of the law and events that may have a substantive impact on the insurer's assets;
- (6) Determining the exposure policy of the insurer and of the insuree for various risks, determining risk exposure ceilings insofar as they can be determined, determining the level of the overall exposure to risks, taking into account the correlation between the various risks, approving instruments and controls for measuring and managing the risks and ways of contending with the risks and with their occurrence;
- (7) Determining the insurer's policy on reinsurance, including determining the framework for maximum risk to an individual reinsurer and a group of reinsurers with an economic affinity;
- (8) Determining the insurer's overall investment policy; and with regard to undertakings that are not yield-dependent undertakings – also determining procedures for managing the investments and the hierarchy of authority in the insurer connected with managing the investments and approving certain transactions in advance, with a financial scope exceeding an amount to be determined; in this matter, "Managing Investments" – includes making credit available to borrowers;
- (9) Examining the adequacy of the insurer's capital for the requirements pursuant to the provisions of the law, the structure of, and changes in, the capital, and approving the rate of the loans taken by the insurer out of all its assets;
- (10) Approving new areas of activity in the insurer, including new areas of investment and determining the means for the management thereof;
- (11) Determining the policy for the insurer's information security and the policy for developing and maintaining the insurer's information systems, and their integration and support in the insurer's main activities;
- (12) Approving the insurer's procedure for the mobility of certain corporate officers therein and the continuous leave of certain corporate officers in the insurer;
- (13) Audit reports on behalf of the Commissioner and decisions in principle on his behalf in complaints submitted against the insurer pursuant to Articles 60 to 62 of the Control of Insurance Law, a copy of which was submitted to the internal auditor of the insurer; the response of the insurer, insofar as required, and implementation of the required actions;
- (14) Reports and notices submitted to the Board of Directors pursuant to the provisions of any law and implementing the actions required thereby;
- (15) Determining the policy for remunerating officers in the insurer, while ensuring that the remuneration mechanism promotes the insurer's objectives and encourages consideration of the risks accompanying the insurer's activities;
- (16) Methods of insuring the fulfillment of the professional provisions and rules applying to the insurer, its officers and employees, and appointing a supervisor to ensure fulfillment of the provisions of the law;

(17) Determining binding rules and provisions for the activities of the insurer's officers and employees, taking into account the nature of the insurer's business and activities which are designed to promote at least the following:

- (a) Fulfilling the provisions of the professional laws and rules applying to the insurer and the officers and employees therein;
- (b) Preventing conflicts of interest between the insurer's interests and the personal interests of its officers or employees, and a prohibition on their exploitation of the insurer's opportunities, assets and status;
- (c) Safeguarding the rights of the insurees with yield-dependent insurance and refraining from giving preference to other interests except for the interests of the insuree in managing assets held against yield-dependent obligations;
- (d) Maintaining the confidentiality of the information in the possession of the insuree's officers and employees, with emphasis on information pertaining to the insurees;
- (e) Preserving and protecting the insuree's assets and ensuring their use for the purposes for which they are held;

(18) Determining a policy for settling disputes and fair handling of the insurees;

(19) Any other issue of substantive importance for the insurer's activities or the supervision and control thereof;

(20) Any issue that the Commissioner required to place on the agenda, whether required of all the insurers or of the insurer alone;

(B) The Board of Directors shall approve the means for implementing its resolutions as stated in subregulation (A), it shall determine the procedures for evaluating their implementation and continuously track their implementation.

(C) The Board of Directors shall give separate consideration to matters regarding yield-dependent obligations and to matters regarding the insurer's remaining obligations.

(D) For an Insurer as set forth in Section 15 (A1) of the Control of Insurance Law, the Board of Directors shall give separate consideration to matters regarding each Pension Fund under the management of that Insurer.

(E) The Board of Directors shall consider the following matters at the frequency listed beside each one:

(1) The subjects set forth in sub-regulation (A):

- (a) In paragraph (4) – at least once per quarter;
- (b) In paragraphs (1) through (3), (6) through (9), (11) and (15) – at least once per year;
- (c) In paragraph (10) – before entering into new areas of activity;
- (d) In paragraphs (13), (14) and (20) – shortly after receipt of the reports, resolutions, notices or requirement, whichever is relevant;
- (e) In the remaining paragraphs – at least every two years;

(2) The determination of means and procedures for implementation of resolutions by the Board of Directors, pursuant to the provisions of sub-regulation (B), shall be discussed at the time of the adoption of the resolutions.

(F) In this regulation, "Officer" shall include a member of the Investment Committee.

Prevention of conflict of interest within a branch

9. (A) A Director with an Affinity to a Corporation in a Secondary Branch shall not be present at deliberations of the Board of Directors or the committees thereof which concern an insuree or a client of an insurer which is also a corporation in the same Secondary Branch, and shall not receive from the insurer information or reports with regard to said insuree or client.

(B) An insurer shall prepare a list, which shall be updated every six months, setting forth the names of the Directors with an Affinity to a Corporation in a Secondary Branch.

(C) In this regulation –

"Secondary Branch" – each of the secondary branches of the economic branches in Israel's economy, according to the classification published by the Israel Central Bureau of Statistics;

"Corporation in a Secondary Branch" – a corporation which is not an institutional entity or the agent of a corporation which is controlled by the insurer or the holder of a controlling interest therein, and the direct and/or indirect activity whereof in a certain Secondary Branch constitutes 5% or more of the total scope of activity in said Secondary Branch, as measured according to the index customary for the branch in question;

"Affinity to a Corporation in a Secondary Branch" – serving as an Officer in a Corporation in a Secondary Branch or holding 5% or more of a certain type of means of control therein.

Prohibition preventing a Director from approaching the insurer's employees

10.(A) A Director shall not approach an employee of an insurer with business initiatives for the insurer, with the exception of approaches to the CEO of the insurer with a business initiative in which the Director has no personal interest, provided that the approach shall be documented in writing;

(B) A Director shall not approach an employee of an insurer concerning business matters of specific insurees or clients or concerning certain investments by the insurer, except in the following cases:

(1) An approach to the CEO of the insurer in which the Director has no personal interest, provided that the approach shall be documented in writing;

(2) An approach to an appropriate entity, for the conventional channels, in order to clarify his own affairs, his spouse's affairs or the affairs of a dependent relative or the affairs of a corporation controlled by them, as an insuree or a client of the insurer.

(C) A Director shall not give instructions to functionaries who are subordinate to the CEO.

Limitations on investments by a Director

11. A director of an insurer who is a member of an Investment Committee or a member of a Credit Committee of the insurer shall be governed by the provisions of Section 21 of the Joint Investments Law, *mutatis mutandis*. However, the aforesaid provisions shall not apply to the purchase or sale of a security on an exchange outside Israel.

Limitations on an external Director

12. No external Director and no dependent relative of any external Director shall receive, directly or indirectly, any salary, remuneration or other benefit from the insurer, with the exception of remuneration as a Director and as a member of a Board of Directors Committee.

Chapter 2: Board of Directors Committees

Mark A: General

Determining the powers of a Board of Directors Committee

13. Should the Board of Directors have appointed a Board of Directors Committee or a Non-Yield-Dependent Investment Committee, as this term is defined in Section 41E (A) (1) of the Control of Insurance Law (hereinafter in these regulations – a Board of Directors Committee), it shall determine the powers and functions thereof, insofar as not determined in these Regulations, and shall approve its working procedures.

Reservation concerning the delegation of powers

14. (A) A Board of Directors shall not delegate its powers to a Board of Directors Committee with regard to the subjects set forth in paragraphs (1) through (18) of Regulation 8 (A), or any subject concerning which the Commissioner has issued an instruction pursuant to paragraph (20) of said Regulation, unless otherwise instructed by the Commissioner. However, the Board of Directors shall be entitled to establish a Committee on the aforesaid subjects for the purpose of recommendation only.

(B) A Board of Directors shall not delegate its powers to a Board of Directors Committee with regard to the subject set forth in paragraph (19) of Regulation 8 (A), unless all of the members of the Board of Directors have agreed to do so. However, the Board of Directors shall be entitled to establish a Committee on the aforesaid subjects for the purpose of recommendation only.

(C) A Board of Directors shall not delegate to a Board of Directors Committee any power which is not expressly defined, including a residually defined power), unless all of the members of the Board of Directors have agreed to do so after having examined the significance of the concentration of powers as set forth above.

Composition of a Board of Directors Committee

15. A Board of Directors Committee shall be composed of between three and seven members, including at least one external Director.

Mark B: Control Board

Composition of the Control Board

16. (A) The Chair of the Control Board of an insurer and most of its members shall be external Directors.

(B) At least half the members of a Control Board shall possess Accounting and Financial Expertise.

Attendance

17. (A) The provisions of Regulation 6 (A) through (C) shall apply to the attendance of a member of a Control Board at the Control Board meetings.

(B) At the adoption of resolutions at Control Board meetings, any or all of those persons set forth below, and no other persons, shall be present: members of the Board, the internal controller, the auditor, the legal advisor and the person in charge of documenting the meetings.

Legal quorum

18. The legal quorum at a meeting of the Control Board shall be the majority of the members of the Board, provided that the majority thereof are external Directors.

Subjects for discussion

19. A Control Board shall deliberate and resolve on the subjects on which, pursuant to the Companies Law, it is required to deliberate and resolve, and, at least, on the following subjects:

- (1) Upon the expiry of the appointment of the auditor, and at least once every three years – the appointment of another auditor to replace him or the continuation of his term in office; furthermore, the Control Board shall issue a recommendation to the General Meeting of the insurer in this matter;
- (2) The issue of a recommendation to the General Meeting of the insurer or to the Board of Directors, whichever is relevant, concerning the need to be paid to the auditor for performing the audit, after having determined that the fee is commensurate with the required scope of the audit;
- (3) The determination of additional services provided by the auditor to the insurer, other than auditing operations, for which the approval of the Board in advance and the determination of the fee in respect thereof are not required; the approval in advance of additional services other than those set forth above and the approval of the fee in respect thereof;
- (4) The issue of a recommendation to the Board of Directors concerning the remuneration and the manner of payment of the insurer's internal controller and the employees in its Internal Control Department;
- (5) Preserving the independence of the insurer's auditor and internal controller, including with regard to the continuation of the term in office of the auditor and of an internal controller who is not an employee of the insurer, and ongoing monitoring of the independence thereof;
- (6) The opinion expressed by the auditor with regard to the insurer's financial statements;
- (7) The due diligence of the insurer's financial statements, including the accounting policy, the integrity of disclosure and a review of the insurer's internal controls;
- (8) Compliance with the provisions of any law and with the professional rules and the rules of ethics applicable to the insurer, its Officers and its employees;
- (9) Approval of an annual or periodical work program for the internal controller, including approval of the scope thereof, with the requisite attention to ensuring the continuity and plausibility thereof, and monitoring the implementation thereof;
- (10) The report submitted by the internal controller and the findings thereof, and monitoring the correction of the deficiencies found in the report;
- (11) The issue of a recommendation to the Board of Directors concerning operations required as a result of audit reports on behalf of the Commissioner and decisions by the Commissioner regarding complaints filed against an insurer pursuant to Sections 60 through 62 of the Control of Insurance Law, a copy whereof was forwarded to the insurer's internal controller;
- (12) Approval in advance of an Investment by an insurer in a Related Party or a Transaction between an insurer and a Related Party within the framework of its investments; in this paragraph –
"Investment" and "Transaction" – with the exception of an investment or a transaction performed on a Securities Exchange, a Foreign Securities Exchange or a Regulated Market, as these terms are defined in the Control of Insurance Business Regulations (Ways of Investing the Capital and Funds of an Insurer and Management of its Undertakings), 5761-2001³¹, and with the exception of an investment or a transaction under the authority of a Yield-Dependent Investments Committee, as this term is defined in Section 41E (A) (2) of the Control of Insurance Law;

³¹ Compendium of Regulations, 5761, at p. 607.

"Related Party" – an entity holding 10% or more of a certain type of means of control of the insurer, and/or an entity controlled by the insurer or by a controlling party of the insurer, and, with regard to an investment or a transaction in which an Officer holds a personal interest – the Officer in question;

(13) The determination of procedures for handling complaints by employees related to the insurer's financial statements, the insurer's internal control and compliance with the provisions of the law, while ensuring that the complainant's identity is kept confidential;

(14) Any issue that the Commissioner required to place on the agenda, whether required of all the insurers or of the insurer alone;

Holding meetings at the request of functionaries of the insurer

20. (A) A Control Board shall hold a meeting at:

(1) At the request of the insurer's internal controller and with his participation, on subjects which he shall determine with regard to any matter within the purview of his position;

(2) At the request of the insurer's auditor and with his participation, on subjects which he shall determine with regard to any matter within the purview of his position;

(3) At the request of the insurer's Actuary in Charge and with his participation, on subjects which he shall determine with regard to any matter within the purview of his position;

(4) At the request of the risk manager of the insurer or of a Pension Fund managed by the insurer, whichever is relevant, and with his participation, on subjects which he shall determine with regard to any matter within the purview of his position;

(5) At the request of the officer in charge of compliance with the provisions of applicable law and with his participation, on subjects which he shall determine with regard to any matter within the purview of his position;

(B) At the request of any of those set forth in sub-regulation (A) (1) through (5), no one who is not listed in regulation 17 (B) shall be present at the meeting which he has requested.

Balance Sheet Committee

21. Notwithstanding that set forth in Regulation 19, it shall be possible to carry out the functions of the Control Board set forth in paragraphs (6) or (7) thereof, by means of a Committee which shall be established for this purpose by the Insurer (in this Regulation – Balance Sheet Committee), provided that all of the members of the Balance Sheet Committee shall possess Accounting and Financial Expertise, and all of the external Directors of the insurer who possess Accounting and Financial Expertise as set forth above shall be members thereof.

Chapter 3: General Provisions

Concessions for a Managing Company of a Provident Fund

22. A Managing Company of the Provident Fund and organs with other functions shall be governed by the provisions of these Regulations, *mutatis mutandis*, as if they were in insurer, with the exception of the following matters:

(1) Regulation 2 (2) shall not apply to the Board of Directors of the Managing Company;

(2) In Regulation 8 of these Regulations:

(a) Paragraphs (7) and (9) shall not apply to the Board of Directors of the Managing Company;

(b) The Board of Directors shall give separate consideration to matters regarding the Provident Fund which is managed by the Managing Company.

Additional concessions for a Managing Company of a Provident Fund

23. A Managing Company which manages only branch-wide Provident Funds (in this Regulation – the Managing Company) and organs with other functions shall be governed by the provisions of these Regulations, *mutatis mutandis*, as if they were in insurer, with the exception of the matters set forth in Regulation 22, and, in addition, it is permissible –

- (1) For less than one third of the members of the Board of Directors to be external Directors, by contrast to that set forth in Regulation 2 (1), and it is permissible for less than half the members of the Board of Directors to possess Accounting and Financial Expertise, by contrast to that set forth in Regulation 2 (3), provided that at least one external Director shall be appointed and at least one external Director shall possess Accounting and Financial Expertise;
- (2) For Directors who do not comply with the conditions for qualification pursuant to Regulation 3 (2) to be appointed for the Managing Company, provided that the number of such Directors shall not exceed half the members of the Board of Directors;
- (3) For a candidate for service as an external Director of the Managing Company to serve as an external Director of two additional companies which manage only branch-wide Provident Funds which are not under the control of the Managing Company or the holder of a controlling interest therein, by contrast to that set forth in Regulation 4 (3);
- (4) For the number of external Directors present at a Board of Directors meeting of the Managing Company to be less than pursuant to Regulation 7, provided that at least one external Director shall participate in the Board of Directors meetings;
- (5) For the Managing Company's Control Board and a majority of external Directors as set forth in regulation 16 (a).

Additional concessions for a State-owned company

24. Without derogating from the provisions of Regulations 22 and 23, it shall be permissible, in a State-owned company, for less than one third of the members of the Board of Directors to be external Directors, by contrast to that set forth in Regulation 2 (1), and for the number of external Directors present at a Board of Directors meeting of the Managing Company to be less than pursuant to Regulation 7, provided that all of the following shall be true:

- (1) At least two external Directors shall serve on the Board of Directors;
- (2) At least one external Director shall possess Accounting and financial Expertise;
- (3) At least one external Director shall participate in the Board of Directors meetings.

Concessions for an institutional entity with a low level of activity

25. Without derogating from the provisions of Regulations 22 through 24th, it shall be permissible, in an institutional entity with a low level of activity, for less than one third of the members of the Board of Directors to be external Directors, by contrast to that set forth in Regulation 2 (1), and for the number of external Directors present at a Board of Directors meeting of the Managing Company to be less than pursuant to Regulation 7, provided that all of the following shall be true:

- (1) The number of external Directors shall not be less than one-quarter of the members of the Board of Directors, and, in an institutional entity as set forth above which is a Managing Company of a Provident Fund – than two external Directors;

(2) The number of external Directors who shall participate in a meeting of the Board of Directors shall be as set forth below:

On a Board of Directors with up to eight members, and on the Board of Directors of a Managing Company of a Provident Fund – at least one external Director;

On another Board of Directors – at least two external Directors.

In this regard, an "institutional entity with a low level of activity" shall refer to any of the following:

(1) An insurance company for which the required equity capital is the Amount of the Initial Capital pursuant to Regulation 2 of the Control of Insurance Business Regulations (Minimum Equity Required of Insurer), 5758-1998;

(2) An insurance company which is licensed to engage in a single branch of insurance; in this regard, engagement in the branches of credit insurance, investment and insurance for the purchasers of residences, foreign trade risk insurance and the provision of guarantees as this term is defined in paragraphs (16), (20), (23) and (24) of Section 1 A the Notice of Insurance Branches, in whole or in part, shall be deemed to constitute engagement in a single branch of insurance;

(3) A Managing Company of a Pension Fund, with the scope of the assets managed by it does not exceed NIS 2,000 million;

(4) A Managing Company of a Provident Fund, with the scope of the assets managed by it does not exceed NIS 5,000 million.

Concessions on the instructions by the Commissioner concerning a Managing Company of a Pension Fund

26. The instructions by the Commissioner pursuant to Mark A 1 of Chapter 4 of the Control of Insurance Law with regard to organs and other functionaries of an insurer shall be less stringently applied to a Managing Company, if so instructed by the Commissioner, and with the modifications and adjustments instructed by the Commissioner.

Entry into force

27. (A) These Regulations, with the exception of that set forth in sub-regulations (B) and (C), shall enter into force 30 days from the date of publication hereof.

(B) Regulations 2, 7, 15, 16, 22 (1), 23 (1), (4) and (5) shall enter into force nine months from the date of publication hereof.

(C) The closing passage of Regulation 21, which begins with the words "provided that all of the members", shall enter into force nine months from the date of publication hereof.

(D) The Board of Directors shall first deliberate on the issues set forth in Regulation 8 (E) (1) (e) one year from the date of publication hereof.

Transitional provisions

28. (A) Notwithstanding that set forth in Regulations 3 and 4 (1) through (3), a Director who, on the date of publication of these Regulations (hereinafter – the Date of Publication), shall duly serve as a Director of an insurer or a Managing Company of the Provident Fund shall be entitled to continue serving as a Director of the insurer or the Managing Company until the end of the 18th month after the Date of Publication, and, with regard to an external Director – until the end of the third year after the date of his appointment or until the end of the 18th month after the Date of Publication.

(B) Notwithstanding that set forth in Regulation 4 (4), anyone convicted in a final judgment of one of the offenses set forth in the aforesaid Regulation, and concerning whom an arrangement between him and the Commissioner, prior to the entry into force of these Regulations, stipulated that he would be allowed to

serve as a Director of an insurer or a Managing Company, notwithstanding his conviction as set forth above, shall not be governed by the provisions of the aforesaid regulation as long as he continues to comply, to the Commissioner's satisfaction, with the provisions of the aforesaid arrangement.

11 Tammuz 5767

June 24, 2007

[Signature]

Ehud Olmert

Minister of Finance

Extracts from the Ordinance to Consolidate and Amend the Law Regulating the Business of Banking (Banking Ordinance), 1941

5. The Supervisor of Banks and his powers

(a) The Governor may appoint a Supervisor of Banks (hereinafter referred to as "the Supervisor"), who, upon being appointed, shall be an employee of the Bank of Israel and shall be charged with the inspection and general supervision of every banking corporation; he and persons acting on his behalf shall have the power to require a banking corporation, as well as a banking corporation's director, employee or auditor, to deliver to him information and document in their possession that relate to the business of the banking corporation and of everybody corporate under its control, or to enable him to examine, copy or photograph any said document; if the information required is stored in a computer, than the information shall be delivered in a manner as required.

(b) Any person who refuses to comply with a request under subsection (a), shall be liable to imprisonment for a term of one year.

(c) The Minister of Police may empower any employee of the Bank of Israel empowered under subsection (a) to act on behalf of the Supervisor to carry out investigations of offences under this Ordinance, under the Banking (Licensing) Law, 5741-1981 or under the Bank of Israel Law, 5714-1954, or offences relating to assets of the customers of a banking corporation. An employee empowered as aforesaid shall have all the powers vested in a commissioned officer of police of or above the rank of inspector under the Criminal Procedure (Evidence) Ordinance, and the provisions of that Ordinance shall apply to such investigations as aforesaid.

(c1) The Supervisor may, for the purpose of supervision as stated in Subsection (a), after consulting with the Committee and with the approval of the Governor, promulgate directives pertaining to the operating and management methods of a banking corporation, an officer thereof, and anyone employed thereby, all of which to assure its sound management and the safeguarding of its customers' interests and to avert impairment to its ability to meet its liabilities (in this Ordinance—Proper Conduct of Banking Business Directives); such a directive may be issued to all banking corporations or to a certain type of banking corporation.

(c2) (1) Proper Conduct of Banking Business Directives need not be gazette in *Reshumot*; however, the Supervisor shall gazette in *Reshumot* a notice about the issue of said Directives and the day on which they are to go into effect.

(2) Proper Conduct of Banking Business Directives and any amendment thereto shall be made available for the perusal of the public at the offices of the Supervisor and shall be posted to the Web site of the Bank of Israel, as well as additional methods of advertisement as the Governor may determine.

(d) The Governor may assume any power vested in the Supervisor.

11A. Approval of appointment of officer

(a) No person shall serve as an officer in a banking corporation except where notice is given to the Supervisor, at least sixty days before the beginning of the term of service, and where the Supervisor during said period has not announced his objection to said appointment or has announced his consent thereto.

(b) The Supervisor shall hand down his decision to oppose an appointment after he gives the candidate an opportunity to voice his arguments and after consulting with the Licenses Committee, and for this purpose he will take into account the suitability of the candidate for the proposed post, including his business experience, honesty, integrity, and relations of any kind whatsoever with the banking corporation or with an officer therein.

(c) At a banking corporation in which none of the controlling principals requires a license under the provisions of Section 34(b) of the Banking (Licensing) Law, 5741-1981, the Supervisor shall take into account, in addition to the considerations listed in Subsection (b), the other pursuits and businesses of the candidate, the essence of his/her relationship with the banking corporation, and the array of balances and forces on the board of directors of the banking corporation, including the number of candidates, as stated in Subsection(b)(2), who wish to be appointed.

(d) The provision in Subsection (c) shall apply to candidates for whom one of the following is present:

(1) He holds more than 1 percent of a certain type of means of control in the banking corporation or regularly collaborates with a person who holds means of control as aforesaid;

(2) The candidate, his spouse, or an officer in a corporation controlled by one of them, is associated with a person who holds more than 1 percent of a certain type of means of control in the banking corporation.

(e) If an officer is appointed and after said appointment additional or new details come to light in regard to the considerations stated in Subsections (b) and (c), as the case may be, the Supervisor may, after giving him an opportunity to voice his arguments and after consulting with the Licenses Committee, may order his term of service terminated due to said additional or new details.

(f) If the Supervisor announces his opposition to an appointment as stated in Subsection (a) or orders the termination of service as stated in Subsection (e), the person whose candidacy has been disqualified, or the officer whose term of service has been terminated, as the case may be, may appeal the Supervisor's decision to the Governor.

(g) The provisions of this Section shall also apply to the term of service of a director of a banking corporation as the chair of its board of directors, *mutatis mutandis*.

(h) (1) For the purpose of Subsections (a), (e), and (f), an "officer" is a director, a general manager, an internal author, or a person whom the Supervisor determines; The Supervisor shall determine, for each banking corporation, which of its officers require the approval of their appointment, provided that the Supervisor not include more than seven officers in a banking corporation in which no controlling principals require permits under the provisions of Section 34(b) of the Banking (Licensing) Law, 5741-1981, and no more than four officers in other banking corporations;

(2) For the purpose of Subsections (c) and (d)—

"Associated" - the existence of working relations, the existence of material business or professional relations, and also service as an officer;

"Regular collaboration" - in the sense of this term in the definition of "together with others" in Section 1 of the Banking (Licensing) Law, 5741-1981.

14E. Internal Auditor

- (a) The board of directors of a banking corporation shall appoint an internal auditor of the corporation as recommended by the board of director's audit committee (hereinafter referred to as "the audit committee").
- (b) The internal auditor shall examine, among other things, the proper functioning of the banking corporation as regards its adherence to the law, preservation of integrity, economy, efficiency, and maintenance of proper banking practice; he will also examine adherence to the directives of the Supervisor of Banks.
- (c) Subject to the other provisions of this section and the necessary changes, where appropriate, the internal auditor shall be governed by the following sections of the Internal Audit Law, 5752-1992: 3, except for subsection (a)(2), 7 through 10, 14(b) and (c), and 24(c).
- (d) The internal auditor shall operate according to accepted professional standards and under the guidance of the audit committee, and shall report his findings to the chairman of the board of directors, the director-general, and the chairman of the audit committee.
- (e) The appointment of the internal auditor, and the termination or suspension of his employment, shall be undertaken by the board of directors or at the recommendation of the audit committee.
- (f) The Supervisor of Banks may, after consulting the advisory committee, determine rules for the implementation of the provisions of this section.
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15A. Secrecy

- (a) A person shall not disclose any information delivered to him or show any document submitted to him under this Ordinance or under the Banking (Licensing) Law, 5741-1981: Provided that it shall be lawful to disclose information if the Governor deems it necessary so to do for the purposes of a criminal charge or if the information or document was received from a banking corporation and that banking corporation consents to its disclosure.
- (b) For the purposes of the disclosure of documents and information received under this Ordinance or under the Banking (Licensing) Law, 5741-1981 to the Court, the Bank of Israel and the Supervisor and his employees shall have the status of the State and its employees.
- (c) A person who contravenes this section or the provision of section 6(5) shall be liable to imprisonment for a term of one year or to a fine or 10,000 pounds.

15A1. Forwarding of information to a supervisory authority in a foreign country

- (a) Notwithstanding the provisions of Section 15A, the Supervisor may forward information in his possession to a competent authority in a foreign country that serves the function of supervising a branch of a banking corporation in said country, a banking institution incorporated in said country that is controlled by a banking corporation, or a foreign corporation that is a foreign bank that operates in Israel or that controls a banking corporation.
- (b) The Supervisor shall not forward information under the provisions of Subsection (a) unless he is aware that the following two circumstances are present:
- (1) The information is needed for the discharge of the competent authority's duties in supervising the stability of the branch, the banking institution, or the foreign corporation, as stated in Subsection (a), as the case may be;

(2) The supervisory authority confirms that a confidentiality requirement similar to the provisions of Section 15A applies to it or has undertaken not to forward the information to any other party.

(c) The Supervisor shall not forward information as aforesaid if it is determined that [said information] is liable to impair a pending investigation or the State security.

15A2. Forwarding of information to the supervisory authority in Israel

(a) Notwithstanding the provisions in Section 15A, the Supervisor may reveal information or show a document to the Securities Authority in the sense of this term in Section 2 of the Securities Law, 5728-1968, or to the Commissioner of the Capital Market, Insurance, and Savings at the Ministry of Finance (in this Section—the recipient entity), provided that the Supervisor is aware that the information or document is needed for the discharge of the recipient entity's functions.

(b) No person shall reveal information or view a document given to him under the provisions of this Section. Violators of the provision in this Subsection are liable to imprisonment for one year or a fine as stated in Section 15A(c).

Extracts from the Regulation of Investment Advising, Investment Marketing and Investment Portfolio Management Law, 1995

Conditions for granting a portfolio manager's license

7. (a) The ISA will grant a portfolio manager's license to an individual applicant, if the applicant is found to meet the following conditions:

- (1) He is an adult;
- (2) He is an Israeli resident or has proved that although he is not an Israeli resident, he is able to comply with all the provisions established in this law and that they can be enforced with respect to him;
- (3) He has not been convicted of an offense;
- (4) He has passed the required examinations, the topics and procedures of which are specified in the regulations;
- (5) He has completed an internship for a period and in accordance with procedures as specified in the regulations;
- (6) (Deleted);

(b) The ISA will grant a portfolio manager's license to an applicant that is a company, if it finds that the company meets the following conditions:

- (1) The company is not engaged in underwriting and is engaged only in investment portfolio management, investment advising, investment marketing, or in pension counseling or pension marketing as defined in the Pension Counseling and Marketing Law, or in the execution of transactions on the stock exchange, and in the execution of accompanying transactions required for such; for this purpose, the term "accompanying transactions" – will include investment in all types of either Israeli or foreign currency deposits, and investment in savings schemes that have been approved by the Minister of Finance and the Knesset Finance Committee pursuant to the Encouragement of Savings (Income Tax Reductions, Guarantee of State Loans) Law, 1956;
- (2) The company has undertaken that anyone who engages in portfolio management, investment advising or investment marketing in its name will be an employee of the company who holds an appropriate license, or that at least one employee be a licensed portfolio manager, and the other parties that are so engaged in its name will be foreign service providers who are authorized to engage in investment portfolio management, investment advising or investment marketing pursuant to the provisions of Section 10b;
- (3) The company has undertaken that no person will serve as an office holder whom the company knows to have been convicted of an offense or whom it knows to be prohibited from serving as an office holder because of enforcement measures described in section 52EEE of the Securities Law which were imposed on such person pursuant to chapter 8-D of the Securities Law, pursuant to Chapter 7-B of this Law, or pursuant to Chapter 10-A of the Joint Investments Law – for the period of time during which such prohibition applies, ;

- (4) The company has capital in an amount not less than the amount prescribed in the regulations;
 - (5) The company has insurance or bank guarantees, or a deposit or securities in the amounts, rates and conditions specified in the regulations;
- (c) The ISA may refuse to grant an applicant a portfolio manager's license if it believes that there are circumstances of any type whatsoever due to which it is not suitable for the applicant to serve as a licensed adviser or a licensed marketing agent considering the occupation's requirements, and if the applicant is a corporation – it may refuse to grant such a license if such circumstances are found to exist with regard to any of the following:
- (1) A controlling shareholder of the applicant for a license;
 - (2) An office holder in the applicant or a controlling shareholder of the applicant for a license.
- (c1) (Deleted);
- (d) Regulations regarding sub-sections (a)(4) and (5), (b)(4) and (5), either general or with respect to certain types of applicants, will be enacted by the Minister of Finance in consultation with the ISA and with the approval of the Knesset Finance Committee.
- (e) The Minister of Finance, at the recommendation of the ISA or in consultation with it, and with the approval of the Knesset Finance Committee, may specify cases in which an applicant will be exempt from either the internship or examination requirements, or from both of them.
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Revocation or suspension of a license

10. (a) The ISA may revoke a license after the licensee has been given an opportunity to explain his actions, if any one of the following is true with respect to the licensee:
- (1) The license was granted on the basis of false information;
 - (2) One of the conditions for granting the license is no longer being met with respect to the licensee;
 - (3) The licensee has violated any of the conditions of the license;
 - (4) A court has determined that the licensee has violated a provision of this law or of any other law relating to securities;
 - (5) The licensee has been declared bankrupt and has not yet been absolved as described in section 62 of the Bankruptcy Ordinance or has been declared to be legally incompetent. If the licensee is a corporation – the license may be revoked if an order of temporary dissolution has been issued against it or if an asset receiver has been appointed for it or if the corporation has decided to dissolve voluntarily.
- (a1) (1) The ISA may revoke the license of a licensed corporation, after the licensee has been given an opportunity to explain its actions, if the ISA finds that circumstances listed in paragraph (4) which indicate that it is not appropriate for the licensee to serve as such (hereinafter – defective trustworthiness) are present; the presence of such circumstances will be examined regarding the following:
- (a) The licensee;

- (b) A controlling shareholder of the licensee;
- (c) An office holder in either of those listed in sub-paragraphs (a) or (b).

(2) A panel may cancel or stipulate conditions for the license of an individual licensee, if circumstances listed in paragraph (4) which indicate a defect in the licensee's trustworthiness are present and the provisions of sections 52SS through 52YY of the Securities Law will apply, *mutatis mutandi*, to the license cancellation or stipulation process; for this purpose, the term "panel" shall mean a committee, as defined in section 38F.

(3) Notwithstanding the provisions of paragraph (1), the ISA may order that the panel will also render a decision – in the context of a process such as is described in paragraph (2) – concerning the cancellation or stipulation of the license of a licensed corporation in whose name the individual licensee acts, if it finds that that the circumstances listed in paragraph (4) which indicate a defect both in the said individual licensee's trustworthiness, and a defect in the trustworthiness of the corporation in whose name the individual acts.

(4) The ISA will establish a list of circumstances that indicate a defect in the trustworthiness of a licensee or of an office holder in the licensee or of a licensee's controlling shareholder; the list will be published on the ISA's website and will go into effect 30 days from the date of its publication, although an amendment of the list will not apply to a proceeding pursuant to this section which is pending; a notice of the list's publication or of any amendment thereof and of the date of its entry into effect will be published in *Reshumot*.

(b) An individual licensee who has ceased to engage in the occupation which is the subject of the license may ask the ISA, in writing, to have his license cancelled or suspended for a requested period of time; a licensed corporation which has ceased to engage in the occupation which is the subject of the license may ask the ISA, in writing, that its license be cancelled.

(c) (*Repealed*).

(c1) The ISA will suspend the license of an individual licensee who is not insured as required pursuant to the provisions of section 20c, until the required insurance is arranged.

(d) (*Repealed*).

(e) A notice of the revocation or suspension of a license shall be published, either by the ISA or by the licensee, as instructed by the ISA.

(f) (*Repealed*).

(g) If a party's license has been revoked and the cause of the revocation has been corrected, the party may ask the ISA to renew the license; the provisions of sections 7 and 8 shall apply to such renewal of the license, *mutatis mutandi*.

Chapter D-1: Corporate Governance

24A. In this Chapter –

“Financial Body” – each of the following: provident fund or managing company, as defined in the Provident Funds Control Law, insurer, Licensed corporation, fund manager or underwriter as defined in the Securities Law, with the exception of a company that controls a large portfolio management company and a company controlled by such a company;

“External Director” and “Relative” – as these are defined in the Companies Law;

“Large Portfolio Management Company”, “Group” and “Total Assets under management” – as these are defined in the First Schedule A.

24B. (a) At least five directors shall serve in a board of directors of a large portfolio management company: with regard to the appointment of external directors, the same rules that apply to a company whose securities have been offered to the public according to a Prospectus and are held by the public, will apply to a large portfolio management company and the provisions of Section 239 through 249 of the Companies Law concerning the appointment of external directors shall apply *mutatis mutandis* unless determined otherwise under this Law.

(b) A large portfolio management company shall appoint the external directors after the audit committee has checked and confirmed that they meet the qualification conditions determined in Section 240 of the Companies Law, but without derogating from the provisions of Subsection (a), the provisions of this Subsection shall not apply to the appointments of the first external directors in the company.

(c) The number of directors of a large portfolio management company who also serve as directors of another financial body shall not exceed a third of the total number.

(d) A director of a large portfolio management company shall not serve as a director in more than two additional financial bodies simultaneously except in circumstances permitted by the Minister of Finance in regulations.

(e) The number of directors who work for a large portfolio management company or are employed by one shall not exceed a third of the total number.

(f) In appointing the directors of a large portfolio management company the composition of the board of directors shall be determined so as to enable the board of directors to carry out its duties.

24C. (a) The board of directors of a large portfolio management company shall select one of its members to serve as chairman of the board of directors.

(b) The chief executive officer of a large portfolio management company or anyone subordinate to the chief executive officer, either directly or indirectly, or the chief executive officer's relative, shall not serve as the chairman of the board of directors.

(c) The powers of the chief executive officer or the powers vested in anyone subordinate to the chief executive officer shall not be given, directly or indirectly, to the chairman of the board of directors of a large portfolio management company or to his relative; the chairman of the board of directors shall not serve as any other office bearer in the company, apart from as a member of a committee of the board of directors that is not an audit committee as stated in Section 24H(d)

24D. The Minister of Finance may determine qualification conditions for the board of directors and for the members of committees that a large portfolio management company must appoint under this Chapter, provisions to ensure the efficiency of the internal controls and internal enforcement plan and their proper functioning, including provisions concerning the obligation to appoint office bearers to be responsible for said internal controls and plan and their qualification conditions, and provisions to ensure the efficient management of risks.

24E. (a) Meeting of the board of directors of a large portfolio management company shall be held at least once every three months.

(b) A majority of directors shall be a legal quorum at board of directors' meeting, provided that all the following conditions are met:

(1) An external director is present at the meeting;

(2) The number of directors serving as directors of more than one financial body, present at the meeting, shall not exceed one third of those present.

(c) Minutes shall be kept of all board of directors' meetings in which shall be recorded the names of those present, the main points of discussion and the resolutions passed.

(d) If an external director is absent from four consecutive board of directors' meetings, his appointment shall lapse.

24F. The duties of the board of directors of a large portfolio management company shall be *inter alia*:

(1) To appoint a chief executive officer, to supervise his performance, and to examine the way the board of directors' decisions are executed by the chief executive officer;

(2) To approve the internal controls and the internal enforcement plan, and to ensure that the company has the tools to enable monitoring of the implementation of the investment policy in accordance with the client's instructions and needs;

(3) To appoint an internal auditor as proposed by the audit committee and to approve his work plan on the recommendation of the audit committee and to discuss his findings and ways of correcting the shortcomings he has found;

(4) To approve the work procedures the company is obliged to institute in provisions under this Law;

(5) To discuss the company's compliance with the conditions of the license as determined in Section 8;

(6) To discuss any matter of material importance to the company's operations or its supervision and control;

24G. The board of directors of a large portfolio management company may not delegate its powers under paragraphs (1) through (5) of Section 24F.

24H. (a) The board of directors of a large portfolio management company shall appoint an audit committee from among its members (in this Law – audit committee).

(b) The duties of the audit committee shall be:

(1) To propose to the board of directors a candidate for the post of internal auditor pursuant to Section 24F(3), to discuss the work plan proposed by the internal auditor and to submit its recommendations on the plan to the board of directors;

(2) To take note of shortcomings in the company's operations through the internal auditor and other control and supervisory organs, and to propose ways of correcting them to the board of directors;

(3) To check the company's internal controls and the internal auditor's performance, and whether he has at his disposal the resources and tools he needs to perform his duties;

(4) To confirm that the external directors meet the qualification conditions determined in Section 240 of the Companies Law as stated in Section 24B(b).

(c) The number of members of the audit committee shall not be less than three, all the external directors shall be members of the audit committee and they shall constitute a majority of its members; the committee chairman shall be an external director.

(d) The chairman of the company's board of directors and any director employed by the company or who provides it with services on a permanent basis, and the controlling shareholder or his relative shall not be members of the audit committee.

(e) The internal auditor shall receive notices when meetings of the audit committee are to be held and will be entitled to participate in them.

(f) The internal auditor may ask the audit committee's chairman to convene the audit committee to discuss a topic he will give details of in his request, and the chairman of the audit committee shall convene the committee within a reasonable time from the date of the request, he considers there is a reason to do so.

(g) At least once a year the audit committee shall hold a meeting solely with the internal auditor;

(h) Meeting of the audit committee shall be held at least once every three months.

(i) A legal quorum at a meeting of the audit committee is at least three members, one of whom is an external director.

(j) Minutes shall be kept of meetings of the audit committee in which shall be recorded the names of those present, the main points of discussion and the resolutions passed.; the minutes shall be available for inspection by any director of the company.

24I. (a) The provisions of Sections 3(a), 4(b), 8, 9, 10, and 12 of the Internal Audit Law, 5752-1992, shall apply *mutatis mutandis* to the internal auditor appointed under Section 24F(3).

(b) The internal auditor shall examine *inter alia* the soundness of the company's operations from the aspect of compliance with the law's provisions, correct business procedure, and the procedures determined by the company's board of directors under this Law.

(c) The internal auditor shall report his findings to the chairman of the board of directors, the audit committee and the chief executive officer.

24J. The provisions of this Chapter shall not apply to a large portfolio management company in the first six months of its becoming a large portfolio management company.

24K. The Minister of Finance may, as proposed by the Authority or in consultation with it, with the agreement of the Minister of Justice and the approval of the Knesset Finance Committee, modify the First Schedule A.

Prohibition On Money Laundering (Financial Sanction), 5762 – 2001

By virtue of the authority vested in me under sections 13(C), 16(A) and 32 (A) of the Money Laundering Law, 5760-20001 (hereunder – the Law), in consultation with the Minister for Internal Security, with the Governor of the Bank of Israel with respect to a banking corporation, with the Minister responsible for one of the entities in the Third Schedule to the Law and with the Minister of Finance with respect to the Committee regarding section 15 of the Law, and with the authorization of the Knesset Constitution, Law and Justice Committee, I enact the following regulations:

Chapter A: Definitions

Definitions

1. In these regulations:

“further breach” has the same meaning as in section 16(D) of the Law;

“continuing breach” means a breach that was not repaired at the first available opportunity;

“committee” means a committee for the imposing of a financial sanction pursuant to section 13 or section 15 of the law;

“prosecutor” has the same meaning as in section 12 of the Criminal Procedure Law [Consolidated Version], 5742 – 19822 – (hereunder – the Criminal Procedure Law).

Chapter B: Implementation by the Committees and their Working Arrangements Implementation by the committee for a breach of provisions under sections 7 to 9 of the Law, where the person in breach is known

2. (A) The Supervisor shall submit to the committee an application for the imposition of a financial sanction for a breach of provisions of sections 7 to 9 of the Law; where the circumstances stated in regulation 3 exist, a prosecutor may also submit an application to the committee.

(B) An application for the imposition of a financial sanction shall be in writing and shall include the following details:

- (1) name of the person in breach, his identifying particulars and address;
- (2) a brief description of the facts constituting the breach;
- (3) specification of place and time in which the breach occurred, insofar as they can be determined;
- (4) specification of the legislative provisions that were breached.

(C) The Supervisor shall notify the person in breach, by registered mail or by personal service, of the fact that he or a prosecutor has filed an application for the imposition of a financial sanction with respect to him; the Supervisor shall specify in the notice the details set out in sub-section (B) and shall determine the period in which the person in breach may submit his claims to the committee; this date shall be at least 24 hours prior to the convening of the committee; a notice pursuant to this sub-section shall be made in accordance with form 1 in the Schedule.

Application with respect to a person in breach of section 9 of the Law, where the charges have been withdrawn

3. Where a prosecutor has withdrawn the charges as stated in section 93 of the Criminal Procedure Law, he may submit an application to the committee for the imposition of a financial sanction upon the accused.

Material that shall be appended to the application

4. An application for the imposition of a financial sanction pursuant to regulations 2 and 3, shall include all of the following:

(1) In an application filed by the Supervisor – a copy of material supporting the facts claimed in the application;

(2) In an application filed by a prosecutor – a copy of the information and of the evidence upon which it is based and any material supporting the application; as well as a copy of the Prosecutor's notice to the court of his withdrawal of the charges and of the court's decision in this matter, pursuant to section 94 of the Criminal Procedure Law.

Working arrangements for the committees pursuant to regulations 2 and 3

5. (A) The committee shall consider the application pursuant to regulations 2 and 3 according to the material attached to the application, and with regard for the arguments filed by the person in breach, if such were filed; the committee may also accept additional material in relation to the application, from the bodies involved with checking the breach, but only if this material is made known to the person in breach, unless the circumstances specified in regulation 6 exist.

(B) The committee shall keep a transcript of its hearings and its decisions; the committee shall also follow up on the payment of the financial sanction that it has imposed; the decision of the committee shall be signed by its members.

(C) The person in breach shall submit his arguments in writing; in his arguments the person in breach may include an application to spread out the payment for reasons that he shall specify; where the arguments have not been filed by the date fixed by the Supervisor pursuant to regulation 2(C), the committee may impose a financial sanction and serve the person in breach with a demand for payment, as stated in section 17 of the Law, without further delay.

(D) A committee for the imposition of a financial sanction pursuant to section 15 of the Law shall give its decision within the period in which it may hold monies seized pursuant to section 11 of the Law; where an application has been filed for the imposition of a financial sanction after withdrawal of charges, the committee shall give its decision within the period specified in section 11; this period shall commence upon the day on which the prosecutor received the court decision pursuant to section 94 of the Criminal Procedure Law; the provisions of this sub-section shall not apply where monies have not been seized or where seized monies have been released with or without a bond.

(E) Where the committee has decided to impose a financial sanction, it shall state the reasons for its decision and shall specify the rate with consideration for the circumstances of the case and pursuant to that stated in chapters D and E; where the committee has agreed to spread out the payments of the financial sanction, the committee shall specify in its decision the rates of the payments and their due dates.

(F) A demand for the payment of a financial sanction shall be sent to the person in breach by registered mail; the provisions of section 19 of the Law shall apply, *mutatis mutandis*, to the payment, including payments that are spread out; the demand for payment shall be according to form 2 of the Schedule.

(G) Where the financial payment has not been made on time, the committee shall direct that it be collected as stated in section 18 of the Law.

Confidential information

6.(A) The Supervisor may present before the committee information which, if disclosed to the person in breach, may, in his opinion, harm the security of the State or another important public matter (hereunder - confidential information) without disclosing its contents to the person in breach.

(B) The committee may examine information presented before it as confidential in order to reach a decision on the application of the Supervisor as stated in sub-section (A) and obtain from him additional details concerning the information.

(C) Where the committee has found that the interest in non disclosure of the confidential information presented before it as stated in sub-section (A) has precedence over the need to disclose it for the purposes of justice, it may conduct a hearing in the matter of the person in breach without disclosing to the person in breach the contents of the confidential information, in whole or in part.

(D) Where the committee has decided not to disclose to the person in breach the contents of confidential information, in whole or in part, the committee shall provide the person in breach with details or a summary of the confidential information, insofar as this is possible without harming State security or any other important public interest.

(E) Where the committee has decided to disclose the confidential information, or part of it, the Supervisor may request that the committee not take the said information into account for the purposes of its decision in the matter of the person in breach; where the Supervisor has so requested, the committee shall not consider the said information, and it shall not be provided to the person in breach.

(F) The committee shall notify the person in breach and the Supervisor of its decision in the application under this regulation, and it may determine that the reasons for its decision, in all or in part, shall be confidential.

Collection of a financial sanction for a breach under section 9 of the Law

7. (A) Where a financial sanction has been imposed for a breach under section 9 of the Law and the financial sanction has not been paid on time, the committee may, if monies have been seized following the breach or if a bond has been posted as stated in section 11(D) of the Law, direct that the financial sanction be collected from these monies or from the said bond; where this has been done, the committee shall send notice of such to the person in breach; where the amount of the monies seized or of the bond is higher than the rate of the financial sanction that has been imposed, the committee shall direct that the balance be returned to the person in breach; notice under this sub-section shall be in accordance with form 3 in the Schedule.

(B) Where the financial sanction for breach under section 9 has not been paid on time, in full or in part, and that stated in sub regulation (A) cannot be carried out, the committee may direct that the financial sanction be collected in the manner specified in section 18 of the Law; the committee may also forward a notice of such to the prosecutor for the purpose of filing an information for the breach, and in this case the demand for payment shall be cancelled.

Deposit of the financial sanction in a fund under section 36H(A) of the Dangerous Drugs Ordinance

8. A financial sanction shall be paid to the fund that was set up under section 36H(A) of the Dangerous Drugs Ordinance [New Version] 5733 – 19733; the Director General shall notify the Supervisor and the head of the competent authority under section 29(A) of the Law of receipt of the payment.

Chapter C: Criteria For Imposition Of A Financial Sanction

Criteria for imposition of a financial sanction for breach under sections 7 and 8 of the Law

9. In an application for the imposition of a financial sanction for breach under sections 7 and 8 of the Law, the committee shall discuss the imposition of a financial sanction with consideration for the following:

- (1) for a breach of provisions under section 7 of the Law:
 - (A) the breach is a first breach;
 - (B) the breach is a further breach;
 - (C) the breach is a continuing breach;
 - (D) the seriousness of the breach or its financial scope;
 - (E) cooperation on the part of the person in breach in disclosing the breach and its consequences;
 - (F) actions taken by the person in breach to mitigate or nullify the breach and its consequences;
- (2) With respect to a breach of the provisions under section 8(A) of the Law, the committee shall consider the time that has elapsed from the date when that section came into force until the appointment of the responsible person, and also whether this is a further breach; moreover, the committee shall take into account the fact that there were breaches under section 7 of the Law during the period when there was no responsible person.

Criteria for imposing a financial sanction for a breach under section 9 of the Law

10. In an application for the imposition of a financial sanction for a breach of provisions under section 9 of the Law, the committee shall decide for the imposition of a financial sanction with consideration for the following:

- (1) the breach is a first breach;
- (2) the breach is a further breach;
- (3) the financial scope of the breach.

Chapter E: Rate Of The Financial Sanction

The rate of the financial sanction for a breach under section 7 of the Law

11. The rates of the financial sanction for breach of provisions under section 7 of the Law shall be as set out hereunder:

- (1) For a first breach that is not a continuing and serious breach, and the scope of which is not great – the financial sanction shall not exceed half of the financial sanction that may be imposed for the breach under section 14(A) of the Law; where there exists one or more of the criteria specified in regulation 9(1)(E) and (F) – the committee may impose a financial sanction that shall not exceed one quarter of the financial sanction that may be imposed for a breach under that section;
- (2) Where there exist one or more of the criteria specified in regulation 9(1)(E) and (F) – the committee may impose for a breach that is not specified in first part of paragraph (1), a financial sanction that shall not exceed half of the financial sanction that may be imposed for a breach under section 14(A) of the Law.

Rate of the financial sanction for a breach under section 9

12. The rate of the financial sanction for a breach under section 9 of the Law that is a first breach the scope of which is not great, shall not exceed half of the financial sanction determined for a breach in section 15 (A) of the Law or of the amount he was obliged to report, whichever is the higher amount; this provision shall not apply to a person who has entered the State of Israel for the first time on an immigrant visa under the Law Of Return, 5710 - 19504 and who has not reported as stated in the fourth schedule.

Deviation from the rate of the financial sanction

13. The committee, for special reasons that shall be specified in writing, may deviate above or below the rate of the financial sanction specified in regulations 11 and 12, if it is justified by the circumstances of the case or the circumstances of the entity of the person in breach.

Chapter F: Appeal Against A Financial Sanction

Regional jurisdiction

14. An appeal against a decision of the committee for imposing a financial sanction shall be filed with the Magistrates' court that has regional jurisdiction over the committee that imposed the financial sanction.

The respondent in the appeal

15. The respondent in the appeal shall be the Supervisor that served as head of the committee that imposed the financial sanction that is the subject of the appeal.

Appeal

16. (A) The appeal shall be submitted in two copies according to Form 4 of the Schedule and shall include the following:

- (1) name of the appellant, his I.D. number, and address for service of legal documents, and if he is represented – also the name and address of his counsel;
- (2) name of the respondent and his address for the service of legal documents;
- (3) description of the decision that is the subject of the appeal, the date the decision was rendered or the date it was served upon the appellant;
- (4) details of the factual and legal grounds upon which the appeal is based;
- (5) details of the relief sought by the appellant.

(B) A photocopy of the decision that is the subject of the appeal shall be appended to the appeal.

Transfer of material to the court

17. When an appeal is filed under this section, the secretary of the court shall notify the respondent that it has been filed, and shall provide the court with the file of the committee in this matter, including transcripts of the committee hearings; in his notice to the respondent, the secretary of the court shall attach a copy of the appeal.

Preliminary hearing in the appeal

18. The court may conduct a preliminary hearing in the appeal under this chapter for the purposes of preparation and efficiency of the hearing in the appeal, and it may issue any decision necessary for this purpose; the court may also consider the possibility of concluding the appeal with a settlement agreed to by the parties, and give it the force of judgment.

Complimentary provisions

19. The provisions of Chapter 30 of the Civil Procedure Rules, 5744 – 1984,5 shall apply to an appeal under this chapter, *mutatis mutandis*, where no other provision regarding the said matter exists in these regulations, and where the said matter or anything relating to it is not inconsistent with the provisions of the Law and these Regulations.

Chapter G: Miscellaneous Provisions

Commencement

19. The commencement of these regulations shall be the day that chapters C and D, as the case may be, enter into force according to section 35 of the Law.

(5762...2001)

Meir Sheerit

Minister of Justice

Prohibition on Money Laundering Regulations (Rules for Use of Information Transferred to the Israel Police Force and the General Security Service for Investigation of Other Offenses and for Transferring it to Another Authority), 5766 – 2006

Pursuant to my authority pursuant to sections 30(g) and (h) of the Prohibition on Money Laundering Law, 5760 - 20001 (hereinafter – the Law), upon consultation with the Minister of Internal Security and with the approval of the Knesset's Constitution, Law and Justice Committee, I enact these Regulations:

Definitions

1. In these Regulations:

“the Police” means the Israel Police Force;

“the Authority” means the Money Laundering and Terror Financing Prohibition Authority;

“the GSS” means the General Security Service;

“information” means any piece of data received in the data base pursuant to the provisions of the Law and all processing thereof;

“additional offense” means any of the offenses delineated in section 7.

Appointment of competent person

2. (a) The Inspector General of the Police shall appoint in the Police and the head of the GSS shall appoint in the GSS persons as set forth in subsection (b) below (hereinafter – competent person), who may decide, in a particular case:

(1) on the use of the information received pursuant to the Law from the Authority, for purposes of investigation of other offenses and their prevention and for purposes of uncovering the criminals who committed the said offenses and prosecuting them (in these Regulations – the additional purposes);

(2) on transferring the information to an entity outside the Police or GSS, as set forth in sections 3 and 4.

(b) (1) In the Police, an officer holding the rank of commander or higher.

(2) In the GSS, the head of the Control Center in GSS headquarters or head of a department in the Control Center as stated, who is authorized for such purpose.

Use of information and transferring it for the additional purposes

3. (a) Where the competent person finds that there is reasonable basis to assume that the information received pursuant to the Law from the Authority will materially advance, in a particular case, accomplishing the additional purposes regarding one of the additional offenses, he may permit use of the information for these purposes, including transferring it for such purpose, if he deems it necessary to do so, to an entity outside the Police or GSS that is set forth in Part 1 of the Third Schedule, which is authorized to carry out the investigation of the said offense.

(b) The decision of the competent person pursuant to subsection (a) shall be documented in accordance with the form in the First Schedule.

(c) No decision shall be made regarding the use, pursuant to this section, of information that was transferred pursuant to section 30(e) of the Law if more than two years have passed since the time that the information was received from the Authority.

Transfer of information for the principal purposes to another authority in Israel

4. (a) Where a competent person found that for the purposes of implementing the Law or the Prohibition on Terror Financing Law, to protect state security, or for purposes of the combating terror organizations, declared terror organizations and acts of terror (hereinafter – the principal purposes), the information received pursuant to the Law is to be transferred from the Authority to a person in Israel outside the Police or GSS who is authorized to act to accomplish the principal purposes, as set forth in Part 2 of the Third Schedule, he may decide to transfer the information as stated.

(b) The decisions of the competent person pursuant to subsection (a) shall be documented on the form in the Second Schedule.

Documentation of the decisions

5. (a) A centralized record of the decisions as stated in sections 3(b) and 4(b) shall be kept as set forth in subsection (b), and shall set forth all of the following:

- (1) the date the decision was made;
- (2) the additional offense for whose investigation or prevention the information is used;
- (3) a summary of the information;
- (4) the unit or body to which the information is transferred, if transferred.

(b) The record of the decisions as stated in sections 3(b) and 4(b) shall be kept –

- (1) in the Police, by the head of the Coordination of Joint Operations Department in the Investigations and Intelligence Division of the Police or a person selected from within the said department;
- (2) in the GSS, by the head of the Control Center in GSS headquarters or a person selected from among his subordinates.

Restriction on transfer of information and use of information

6. (a) Information from the data bank shall not be transferred to an entity in Israel outside the Police or GSS and use shall not be made of information transferred from the data bank for the additional purposes, except in accordance with the provisions of these Regulations or if set forth explicitly by another provision of law.

(b) Nothing in subsection (a) shall prevent –

- (1) the Police or the GSS from providing the information to obtain an expert opinion, if needed for the purpose of the investigation, or to involve the authority in charge of investigation of the original offense in investigating an offense pursuant to the Law;
- (2) the Police or the GSS or an entity to which the information was transferred pursuant to section 3 or section 4 from transferring information to the competent person for purposes of prosecution and the conduct of a legal proceeding.

The additional offenses

7. (1) An offense whose punishment is at least five years' imprisonment pursuant to one of the following laws: Penal Law, 5737 – 1977; Combating Organized Crime Law, 5763 – 2003; Dangerous Drugs Ordinance [New Version], 5733 – 1973; Prevention of Terror Ordinance, 5708 – 1948; Emergency Defense Regulations; Prevention of Infiltration (Offenses and Jurisdiction) Law, 5714 – 1954; Military Justice Law, 5715 – 1955; Securities Law, 5728 – 1968; Income Tax Ordinance [New Version]; Land

Taxation (Appreciation, Sale and Purchase) Law, 5723 – 1963; Value Added Tax Law, 5736 – 1975; Joint Investments in Trust Law, 5754 – 1994; Banking (Licensing) Law, 5741 – 1981; Antitrust Law, 5748 1988; (2) An original offense that is not set forth in paragraph (1), the punishment for which is at least three years' imprisonment, provided that the investigation regarding it began as part of an investigation of an offense pursuant to sections 3 and 4 of the Law.

Reporting

8. (a) The Inspector General of the Police shall report to the Minister of Internal Security and the head of the GSS shall report to the Prime Minister, in writing, every year, as to all of the following:

- (1) the number of decisions on the use of information for the additional purposes, breaking them down according to information requested by the Authority and information transferred upon the initiative of the Authority;
- (2) the number of decisions on the transfer of information to entities outside the Police or the GSS pursuant to section 3 and section 4, broken down according to the entities to which the information was transferred;
- (3) the offenses for whose investigation or prevention the information pursuant to section 3 was used, and the number of cases in relation to each offense;
- (4) the time that passed from the time that the information was transferred from the Money Laundering Prohibition Authority to the time decision was made to use the information for investigation or prevention of additional offenses.

(b) A copy of the report shall be forwarded to the Minister of Justice and to the Knesset's Constitution, Law and Justice Committee.

Commencement

9. These Regulations shall enter into force thirty days following their publication.

First Schedule

(Section 3)

Decision on use of information and transferring it to another authority for the additional purposes

Pursuant to my authority under section 3 of the Prohibition on Money Laundering Regulations (Rules for Use of Information Transferred to the Israel Police Force and the General Security Service for Investigation of Other Offenses and for Transferring it to Another Authority), 5766 – 2006 (hereinafter – the Regulations), I permit the use of the information in the attached document, reference number, that was transferred from the Money Laundering and Terror Financing Prohibition Authority, this for the purpose of investigation / prevention (delete the inapplicable) additional offense, as defined in the Regulations, of the following kind:

(details of the section of the offense)

(To be completed if the decision is to transfer information to an entity outside the Police or the GSS)

Also, pursuant to my authority under section 3 of the Regulations, I decided to transfer the said information to (name of the investigating body / investigating authority), for the purpose mentioned above.

Date Name of the Competent Person

Second Schedule

(Section 4)

Decision on Transfer of Information to Another Authority for the Principal Purposes Pursuant to my authority under section 4 of the Prohibition on Money Laundering Regulations (Rules for Use of Information Transferred to the Israel Police Force and the General Security Service for Investigation of Other Offenses and for Transferring it to Another Authority), 5766 – 2006 (hereinafter – the Regulations), I decided to transfer the information in the attached document, reference number , that was transferred from the Money Laundering and Terror Financing Prohibition Authority, this for the purpose of implementing the Prohibition on Money Laundering Law / implement the Prohibition on Terror Financing Law / to protect state security / to combat terror organizations, declared terror organizations and acts of terror (delete the inapplicable) to (name of the body / authority), for the purpose mentioned above.

Date Name of the Competent Person

Third Schedule

(Sections 3 and 4)

Part 1 – Authorities to which Information may be Transferred pursuant to Section 3 for the Additional Purposes

Police;

General Security Service;

Military Police Investigations;

Military Police Internal Investigations Unit;

Department for the Investigation of Police, Ministry of Justice;

Securities Authority;

Antitrust Authority;

Israel Taxes Authority

Part 2 – Authorities to which Information may be Transferred pursuant to Section 4 for the Principal Purposes

Police – for the principal purposes;

General Security Service – for the principal purposes;

Military Police Investigations – for the principal purposes

Military Police Internal Investigations Unit – for the principal purposes;

Department for the Investigation of Police, Ministry of Justice – for the principal purposes;

IDF Intelligence Division – for the principal purposes;

Institute [Mossad] for Intelligence and Special Functions – for the principal purposes;

Minister of Defense – for the principal purposes;

Prisons Service – for the principal purposes;

Customs officer – for exercising powers pursuant to sections 26 and 27 of the Law;

The supervisor pursuant to section 12 of the Law and the inspector appointed pursuant to section 11N of the Law – for inspecting the implementation of the provisions of the Law and for imposing financial sanctions pursuant to the provisions of the Law;

Committee for imposing monetary compensation established pursuant to section 13 of the Law – for imposing financial sanctions pursuant to the provisions of the Law.

_____ 5766 Haim Ramon

(_____ 2006) Minister of Justice

Diverse

Prevention of Money Laundering and Terrorism Financing, and Customer Identification (Directive 411)

Introduction

1. (a) Money laundering and terrorism financing, as money-intensive activities, are perpetrated via the banking system *inter alia*. Accordingly, banking corporations are at the cutting edge of the struggle to prevent them. Apart from the detriment to values that the relevant legislation protects against, the exploitation of a banking corporation for money-laundering and terrorism financing activity by criminals or terrorists may tarnish the reputation of, and the public's confidence in, the entire banking system, if not the good name of the State of Israel. Absent thorough examination of the customer's identity and activity and absent the use of effective control and inspection mechanisms, a banking corporation may be exposed to reputational, operational, legal, and other risks. Appropriate customer due-diligence procedures, including understanding the business that the customer conducts via the banking corporation, helps to protect the banking corporation's reputation and the integrity of the banking system by mitigating the risk of the bank's becoming a vehicle for or a victim of financial crime and suffering consequential damage. Therefore, an adequate customer due-diligence policy and ongoing monitoring are essential not only for the war on money laundering and terrorism financing but also for the maintenance of the stability and credibility of the banking system and the country's good name.

Applicability

2. (a) 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).

(b) 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.

Definitions

3. (a) All terms in this Directive shall be construed as in the Prohibition on Money Laundering (Banking Corporations' Requirement regarding Identification, Reporting, and Record-Keeping) Order, 5761–2001 (henceforth, the Order).

(b) In this Directive:

“Israel Money Laundering Prohibition Authority” — The competent authority established by the Minister of Justice under Section 29 of the Prevention of Money Laundering Law, 5760-2000 (hereinafter: the Law).

“Officer in charge” — The officer in charge of ensuring that the banking corporation meets its obligations in accordance with Section 8 of the Law.

“Private banking” — Preferential banking services provided for high net worth customers.

“Customer” — Including a recipient of service.

“High-risk country” — A country or a territory included in Appendix 4 of the Order.

“Banking Corporation” — As defined in the Licensing Law, and also a corporation as set forth in Sections 11(a)(2) and 11(b) of said Law.

Prevention of Money Laundering and Financing of Terrorism Policy

3a. (a) The board of directors of a banking corporation shall establish a policy in regard to “prevention of money laundering and financing of terrorism.” Said policy shall also address itself to the monitoring of threats to launder money and finance terrorism that originate, among other things, in the use of modern technologies, especially those that facilitate transactions in ways other than face-to-face, e.g., on-line and via cellular telephones, coupled with measures to thwart said threats.

(a1) 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) may be used.

(b) A banking corporation’s policy in regard to the prevention of money laundering and financing of terrorism shall be established on a group basis, *mutatis mutandis*, and shall apply to overseas branches insofar as it does not clash with local directives in these regards.

Customer due-diligence policy

4. (a) The board of directors of a banking corporation shall establish a customer due-diligence policy that, in respect of money laundering and financing of terrorism, shall include reference to the following:

- (1) the provision of customer services, including a customer due-diligence procedure when an account is opened or when services are given to a transactor who is not recorded as the owner or authorized signatory of an account;
- (2) classification of high-risk customer groups;
- (3) different customer due-diligence rules for different types of customers;
- (4) monitoring of account activity and heightened monitoring of high-risk customers.

Nothing in this Subsection shall have the effect of withholding banking services from economically or socially disadvantaged population groups.

(b) In formulating the policy, 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 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.

5. The banking corporation shall maintain an appropriate division of powers to ensure the implementation of the policy set by the board.

Customer due-diligence procedures

6. (a) The management of a banking corporation shall establish customer due diligence procedures in accordance with the policy set by the board of directors and with its risk assessment, ensuring ethical and professional standards that will prevent the banking corporation from being exploited, intentionally or unintentionally, by criminal elements.

(b) The procedures shall cover, *inter alia*, the topics of this Directive, the reporting system and the staff authorized to handle the reports, the types of records that shall be kept in regard to customer identification and specific transactions, and the period of their retention.

Officer in charge of obligations under the Prevention of Money Laundering Law

7. (a) The officer in charge shall be a member of the management of the banking corporation or a direct subordinate of a member of the management who is not responsible for an area of activity in which business activities take place.

(a1) The officer in charge shall have a senior formal status at the banking corporation and shall have qualifications, knowledge, and experience commensurate with his duties and purviews.

(b) The officer in charge at a banking corporation that heads a banking group shall verify, on a group basis, the implementation of the banking corporation's policies and procedures on the prevention of money laundering and financing of terrorism.

(c) The officer in charge shall present the management and/or the board of directors of the banking corporation, directly, with an annual evaluation report on the application of the banking corporation's policy and procedures regarding customer due diligence, with reference to the assimilation in its own procedures of the obligations imposed by the laws, regulations, and directives, and to the entirety of risks and exposures that the banking corporation faces.

(d) 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 documents, and all other relevant information.

(e) 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).

(f) The officer in charge shall verify the employment of a suitably qualified officer in charge at relevant subsidiaries of the banking corporation in Israel and abroad.

Relations with the Internal Audit function

7a. (a) 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.

(b) The Internal Audit function shall set aside adequate resources for its review of compliance in this regard (including sample inspections), policies, procedures, and controls.

(c) The internal auditor at the banking corporation shall advise the officer in charge of the relevant audit findings for the discharge of his duties.

Risk management

8. A banking corporation shall incorporate the following basic customer due-diligence principles into its risk-management and internal-control systems:

- (a) customer-acceptance policy;
- (b) customer identification;
- (c) ongoing control of high-risk accounts by various means (e.g., external databases) in accordance with the extent of exposure to risk.

The banking corporation shall apply its policy on the prevention of money laundering and financing of terrorism—including risk management, customer acceptance policy, customer identification procedures, and surveillance of accounts—on a group basis.

Customer identification

9. (a) After opening an account, the banking corporation shall verify the address as recorded in the application form by sending a notice to the customer at that address confirming the opening of the account. This Subsection shall not apply if the customer has requested that notices not be sent to said address.

(b) (1) A banking corporation shall not open an account for a customer, and shall not add a customer to an existing account, unless it has taken all reasonable steps to determine the true identity of the account holder, the beneficial owners, and the customer's proxies.

(2) In cases where the account holder or beneficial owner (directly or indirectly) is not an individual - but rather an individual or group of individuals who control the account or are its main beneficiaries,

Subsection (b)(1) shall apply to them as well.

(3) A banking corporation shall not open an account for a customer who acts on behalf of a third party and fails to provide requisite information about the third party.

(c) A banking corporation that has cause to believe that an applicant has been refused banking services by another banking corporation for reasons related to the prohibition against money laundering or financing of terrorism shall apply enhanced diligence procedures before opening an account for said applicant.

Guarantor identification

10. Repealed.

Face-to-face identification

11. A banking corporation shall effect identification procedures appropriate to the situations described in Subsections 6(a)(1) to 6(a)(4) of the Order.

Private banking

12. The opening of new accounts or the reclassification of existing accounts as private-banking accounts by a banking corporation that offers private-banking services shall be confirmed by a senior official of the banking corporation.

Retention of identification documents

13. (a) A banking corporation shall establish procedures for the retention of information needed for the authentication of customers' identity and their type of business. Said procedures shall relate to the source of the information, the period for which it should be retained, the type of customer (individual, company, etc.), and the expected extent of activity in the account. The information shall be retained in a manner that will make it readily available and efficiently retrievable.

(b) (1) A banking corporation shall undertake reviews to ascertain the existence of adequate and up-to-date information; A banking corporation shall invoke heightened reviews in accounts of high-risk customers.

(2) Said reviews shall take place at times and on occasions determined by the banking corporation in its procedures, such as when a significant transaction is about to take place, or when the requirements relating to customer documentation change, or when the way the account is managed changes significantly.

(3) If a banking corporation discovers that certain significant information about a customer is lacking, it shall take steps to ensure that it obtains the missing information as promptly as possible.

Ongoing surveillance

14. (a) A banking corporation shall apply surveillance of activity in a customer's account in order to assess whether said activity is consistent with its expectations about activity in the account and the banking corporation's acquaintance with the customer, his business activity, his risk profile, and, insofar as necessary, the adequacy of the financial sources in the account.

(b) A banking corporation shall operate a computerized system to detect unusual activities in all customer accounts. This may be done by setting restrictions on certain categories of accounts. The banking corporation shall apply heightened scrutiny to determine whether complex or irregularly structured transactions are logical in economic or business terms.

Unusual activities shall include, *inter alia*, transactions that lack economic or commercial sense, complex transactions, and transactions involving large sums of money, particularly cash deposits in sums that do not square with the expected activity in the account.

The Supervisor may determine for a banking corporation alternative provisions in lieu of those in this Subsection in consideration of its size, the extent of its activity, and its degree of complexity.

(b1) A banking corporation shall 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.

(c) A banking corporation shall establish detailed procedures setting out the channel of communications regarding unusual transactions (as per Section 9 in the Order). The procedures shall incorporate full documentation of the decision-making process from first discovery of the unusual transaction to the formulation of a decision on whether to report to the competent authority.

(d) 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.

High-risk customer accounts

15. (a) A banking corporation shall include in its procedures rules for defining high-risk customer accounts in respect of the prohibition against money laundering and financing of terrorism. For this purpose, it shall map the following factors at two levels at least:

- (1) types of customer transactions (e.g., a cash-intensive business);
- (2) location of customer activity (e.g., high-risk countries, no connection with Israel, etc.);
- (3) types of services required by the customer (e.g., electronic transfers of large sums);
- (4) type of customer (politically exposed person, entity with a complex ownership structure, etc.).

(b) A banking corporation shall operate appropriate systems for heightened surveillance of these customers' accounts and shall follow up on high-risk accounts by determining key indicators for such accounts, taking note of the background of the customer, the country of origin of the funds, and the type of transactions involved.

(c) A banking corporation shall operate an adequate information system to provide officers in charge with timely information for the analysis and efficient surveillance of high-risk customer accounts. Such reports shall include unusual transactions performed via the customer's account, information on the relationship between the banking corporation and said customer over time, and information on missing account documentation.

(d) A banking corporation shall invoke heightened due-diligence measures vis-à-vis high-risk customers. Significant transactions that customers categorized as high risk wish to perform shall require the approval of a senior executive.

Identification and recording of other customer transactions

16. (a) A banking corporation shall authenticate the identities of the parties to a transaction that is likely to subject the banking corporation to significant risk.

(b) (1) A banking corporation shall record the name and identity number of anyone performing a transaction in an account in which he is not registered as an owner or authorized signatory. For the purposes of this Subsection, the banking corporation may make do with recording the details given by the person who performed the transaction. In this Subsection, the term "transaction" denotes a cash transaction in a sum smaller than NIS 10,000 or another transaction in a sum smaller than NIS 50,000.

Updating of customers' particulars

17. If a customer advises the banking corporation of a change of mailing address:

(a) The banking corporation shall update the address in all said customer's accounts with the same account number for which the customer originally gave said mailing address, unless instructed otherwise.

(b) The banking corporation shall call the customer's attention to the need to update the address in his other accounts, if any.

Numbered accounts

18. (a) Numbered accounts (accounts in which the name of the beneficial owner is known to the banking corporation but is substituted by an account number or code name in some documentation) shall be subject to the customer due diligence procedures that apply to all accounts.

(b) The identity of a customer with a numbered account shall be known to a sufficient number of officials to enable a thorough and adequate check of the customer's identity and to monitor his transactions for purposes of detecting unusual activity.

(c) Numbered accounts shall not be used to hide a customer's identity from the compliance and auditing system or from the supervisory authorities.

(d) A banking corporation that takes special measures to ensure internal confidentiality in regard to customers' accounts shall ensure that the accounts of these customers are examined and monitored at least as thoroughly as those of customers regarding whom no such special measures are taken, and shall ensure that the officer in charge and the internal auditors will have direct access to information concerning these accounts.

Third-party accounts

19. (a) A banking corporation shall take requisite steps to understand the relationships between the parties related to accounts managed by a trustee (e.g., a legal guardian, liquidator, executor, receiver, attorney, or accountant).

(b) In the case of a trust that is not established by law, the banking corporation shall record the identifying particulars of the trust's founders.

Shares in bearer form

20. A banking corporation shall take special care in dealing with accounts of a company a large part of whose capital or of the capital of the company which controls it consists of shares in bearer form. This Subsection shall also apply to accounts of which said company is a beneficiary.

Politically exposed persons (PEPs)

21. (a) When opening an account for a new customer, the banking corporation shall check whether the customer is a PEP.

(b) Before opening an account for a PEP, the banking corporation shall take steps to discover the source of funds expected to be deposited in the account.

(c) The decision to open an account for a PEP shall be taken by a senior executive.

(c1) If it transpires in the course of the relationship that the customer is a PEP, the decision on continuing the relationship with him shall be made by a senior executive, subject to the provisions of Section 24 below.

(d) PEP accounts shall be considered high-risk customer accounts.

(e) Business relations, including account management, with a first-degree relative of a PEP or a corporation controlled thereby, and also with a business partner of a PEP, pose a reputational risk similar to the risks related to the management of business relations, including the management of accounts, with a PEP.

For the purposes of this Section:

“Politically exposed person (PEP)” — a nonresident who holds a senior public position abroad.

“Senior public position” — including head of state, president of state, mayor, judge, member of parliament, member of government, high-ranking military or police officer, and any official of said kind even if differently titled.

Correspondent banking

22. (a) A correspondent banking corporation (i.e., one that provides banking services to another banking corporation abroad) shall examine, become familiar with, and understand the nature of its respondent bank’s business. As part of said examination, the banking corporation shall obtain information regarding the respondent bank’s main business activities, its location, its efforts to prevent money laundering and financing of terrorism, the purpose for which the account was opened, and the condition of banking supervision and regulation in the respondent’s country, with special reference to the war on money laundering and financing of terrorism.

(b) A banking corporation shall not maintain correspondent relations with a financial institution that is not supervised in regard to the prohibition against money laundering and financing of terrorism.

The Supervisor may exempt a banking corporation, for special reasons, from the requirements of this Subsection.

(c) A banking corporation shall not engage in correspondent banking with a bank registered in a jurisdiction where the bank does not have a physical presence (a “shell bank”) unless it is connected with a supervised banking group, and shall not engage in business as aforesaid with a financial institution that allows its accounts to be used by a bank of said type.

(d) Decisions on the conduct of new correspondent relations shall be made by a senior executive.

Training

23. A banking corporation shall provide training on customer identification and due diligence, distinguishing between new staff, management staff, branch staff, staff who deal with the acceptance of new customers and those engaged in compliance, and shall bring the procedures that it has established to all employees’ knowledge. Said 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.

(b) 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.

(c) For the purposes of this Section, "staff" includes employees of personnel companies.

Non-cooperation by a customer

24. Refusal by a customer to provide details required to facilitate compliance with the Order, this Directive, and the procedures deriving from it, as well as reasonable cause to assume that a transaction is related to money laundering or financing of terrorism, or implementation of banking corporation policy, as provided in section 41, shall be considered reasonable cause for refusal to open and/or manage an account and to provide services for a transactor who is not recorded as the owner or authorized signatory of the account for the purposes of the Banking (Service to Customer) Law, 5741–1981. In such a case, the

banking corporation shall consider the possibility of presenting the competent authority with an irregular-activity report (under Section 9 of the Order).

Reporting to the Supervisor of Banks

25. (a) A banking corporation shall immediately report to the Supervisor of Banks about special events that were reported to the competent authority under reporting obligations that are essential for the stability or reputation of the banking corporation.

(b) A banking corporation shall immediately report to the Supervisor of Banks about any investigation with implications related to money laundering or financing of terrorism that is being conducted against the banking corporation or a corporation under its control.

(c) A banking corporation shall report on a monthly basis to the Supervisor of Banks about the number and types of reports submitted to the competent authority (the Israel Money Laundering Prohibition Authority).

(d) A banking corporation shall report 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.

Registering a public institution, a recognized entity, and a corporation legally established abroad

26. (a) A banking corporation shall allocate an identity number to a public institution according to the Registry of Non-Judicial Entities administered by SHAAM Information Systems in the Ministry of Finance, and the number allocated shall be used for identification purposes by the banking corporation.

(b) (1) A banking corporation shall allocate a single identity number to a recognized entity and a corporation legally established abroad (e.g., a central bank) and the banking corporation shall use the number allocated for identification purposes.

(2) Subsection (1) shall also apply to a public institution not registered with SHAAM that was not allocated an identity number by SHAAM after making an application.

Transfers of funds and financial documents

27. (a) A transfer of funds by means of a financial institution in a high-risk country, in which the final destination is a financial institution in another high-risk country—for said institution or for its customer—shall entail approval by the official at the banking institution who is in charge of the prohibition against money laundering.

(b) A banking institution shall operate a computerized system of information on transfers of funds among high-risk countries. Said system shall provide the official in charge with readily available information about customers' names and account numbers, among other things, as are needed for the detection and efficient surveillance of such transactions and determination of whether they are irregular.

Deposit of checks

28. A banking corporation shall establish, in its procedures, rules for dealing with the risk present in a transaction of deposit of checks in the context of the prohibition against money laundering and financing of terror, with reference to the following factors *inter alia*:

- (a) endorsed checks;
- (b) depositing of many checks that are not consistent with activity in the customer's account;
- (c) checks drawn on a bank outside of Israel. In such a case, before clearing takes place, the banking corporation shall verify the existence of a relationship between the depositing transaction and the performance of the transaction with a banking corporation in Israel.

Countries deficient in applying FATF recommendations

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.

Financial Activity vis-à-vis banks operating in the Palestinian Authority areas

30. A banking Corporation shall not accept for deposit checks, in domestic or foreign currency, that are drawn on banks that operate in the Palestinian Authority areas, if the identifying particulars of the account owner/s are not printed thereon in Latin characters and in digits customarily used in the state of Israel.

31. A banking corporation shall not accept checks for collection, in domestic or foreign currency, that are presented by banks that operate in the Palestinian Authority areas without obtaining the particulars of the account in which the check was deposited and the identifying particulars of all owners of said account, in Latin characters and in digits customarily used in the state of Israel.

32. A banking corporation shall not accept for deposit endorsed checks drawn on banks operating in the Palestinian Authority areas and shall not accept for collection endorsed checks presented by banks that operate in the Palestinian Authority areas.

33. A banking corporation shall not accept a transfer of funds in a sum exceeding NIS 5,000 from banks operating in the Palestinian Authority areas without obtaining the particulars of the account of the counterparty to the transaction and the identifying particulars of all owners of the account, in Latin characters and in digits customarily used in the state of Israel.

34. For the purposes of Section 30–33:

Identifying particulars of account owner: for an individual—surname, first name, and ID number; for a corporation—name and registration number.

Account particulars: bank number, branch number, and account number.

Management of risks related to illegal transactions by means of credit cards

35. In Sections 36–40:

“Credit card”— as defined in the Charge Cards Law, 5746-1986.

“Risk-intensive industries”—gambling, pornography, and the sale of a “curative drug,” “toxin,” “medical toxin,” and “preparation” in the sense of these terms in the Pharmacists Order [Revised Version], 5741-1981, and any other field that the board of directors defines as risk-intensive.

“Missing-document transaction”—a transaction between the customer and a supplier in which a credit card is not presented.

36. The board of directors of a credit-card company shall establish a policy for the application of the provisions of Section 35–40 of this Directive. Said policy shall relate, *inter alia*, to restrictions on the extent of the company’s issuing and clearing activity abroad, particularly in countries where the company does not have an incorporated and supervised presence, and also to relations with businesses that are active in risk-intensive industries.

37. A credit-card company shall not approve a missing-document transaction made by means of a credit card that it issued, whether said transaction was performed online or in any other way, if on the basis of information in the possession of the credit-card company there is concern that the charge was made for a “prohibited game,” a “lottery,” or “gambling” as these terms are defined in Section 12 of Chapter 8 of the Penal Law, 5737-1977 (hereinafter: “the Penal Law”), with the exception of activity permitted under the Penal Law and, in addition, where there is concern that one of the following conditions relating to the transaction is present:

- (a) the service for which the charge using the credit card was made is illegal in the country where it was provided;
- (b) the charging of payment on account of said transaction is to be carried out via a credit card belonging to a customer who is an Israel resident or a nonresident staying in Israel.

38. (a) A credit-card company shall not execute an agreement for the clearing of a missing-document transaction, whether said transaction was executed online or in any other way, with customers in Israel or abroad, unless according to the information in its possession the customer’s area of activity does not constitute a violation of the law.

(b) A credit-card company shall not execute such agreements with customers (businesses) outside Israel who are active in risk-intensive industries unless:

(1) At the time the agreement is executed, the company possesses a legal opinion stating that the customer’s area of activity does not constitute a violation of the law (e.g., prurient advertising featuring the image of a minor, prohibited gambling, and prohibited marketing of “curative drugs,” “toxins,” “medical toxins,” or “preparations”). Said legal opinion shall refer to the law that applies to the parties to the transaction, at all their centers of activity, in the following way:

- (a) the supplier in the missing-document transaction (in this Section: the business);
- (b) other players (e.g., brokers and clusterers) that provide the creditcard company with a service vis-à-vis the business.

(2) At the time the agreement was executed, the credit-card company took the requisite measures to verify that the customer (the business) had not entered into missing-document transactions with service recipients (customers of the business) whose country’s laws enjoin them against entering into such transactions. The credit-card company shall apply the provisions of this Paragraph at least in regard to service recipients from countries that are members of the Organisation for Economic Cooperation and Development (OECD).

(3) The credit-card company shall periodically monitor the compliance of the business with the requirements of this Subsection.

(c) A credit-card company that enters into such an agreement shall establish appropriate procedures to make sure that it satisfies the requirements set forth in this Section throughout the term of the agreement.

39. Refusal to approve a transaction, refusal to enter into an agreement with a customer (a business), or termination of an agreement therewith due to the application of the provisions of Sections 35–40, including policies and procedures of the credit-card company that are established on their basis, shall be considered reasonable refusal to provide service for the purposes of the Banking (Customer Service) Law, 5741-1981.

40. The provisions of Section 35–39 shall apply to credit-card companies including their subsidiaries in Israel and abroad.

Publicized entities—Iran

41. The board of directors of a banking corporation shall establish a policy on the issue of risks entailed in dealing, or carrying out transactions on behalf of customers, with entities who have been designated on international lists, as published by the Israel Money Laundering and Terror Financing Prohibition Authority, as aiding Iran's nuclear program and its related programs. This policy will include reference to controls and due diligence procedures related to identification of entities designated in these lists.

Directive 308: Compliance Officer

Postal Bank Supervision Department

1. By my authority under section 88n(a) of the Postal Law, 5746-1986, I hereby make the following directives:

2. Application

This directive shall apply to the Israel Postal Company Ltd., in the provision of the Financial Services under the provisions of Chapter F1 of the Postal Law.

3. Definitions

“Customer” – any person who receives financial services from the Postal Bank;

“Postal Bank” – the Company, in the provision of the financial services under the provisions of section 88A (a) of the Postal Law.

4. Preamble

4.1. Proper corporate governance is one of the preconditions for the efficient and effective functioning of the Postal Bank, and it is a vital component in ensuring the stability of the Postal Bank and protecting its Customers. There is no disputing that one of the vital components of proper corporate governance is maintaining appropriate means of ensuring the compliance of the Postal Bank with the requirements of the law and regulatory requirements in various spheres, including in the sphere of money laundering and terror funding prohibition.

4.2. The complex and dynamic conditions within the constraints of which the Postal Bank operates require the Postal Bank to maintain a rigorous regime for maintaining full and proper compliance with all the requirements imposed upon it in various spheres.

5. Requirement to appoint a compliance officer

In order to help the board of directors and management of the Postal Bank to meet their responsibilities in relation to the compliance of the Postal Bank with the requirement of the law and with other regulatory requirements and directives, I hereby direct that the Postal Bank must appoint a compliance officer as set out in this directive.

6. Principles of the directive

6.1. The Postal Bank is required to appoint a compliance officer. The appointment shall be made by the manager of the Postal Bank, subject to the approval of the board of directors.

6.2. The senior management of the Postal Bank shall hold discussions for formulating the compliance program and determining the manner of implementation thereof.

6.3. The compliance officer shall be charged with implementing the compliance program adopted by the senior management of the Postal Bank.

6.4. In order to implement the compliance program, the compliance officer is required to coordinate between the various departments of the Postal Bank which are to support the implementation of the program.

6.5. Insofar as needed, the general manager shall appoint, if needed, a coordinating committee that shall assist the coordinating officer in coordinating between the various departments.

6.6. The compliance officer shall report to the general manager before the Postal Bank embarks on a new activity and prior to the determination of a new consumer regulation, in order to fully and properly meet

the requirements of provisions pertaining to the various spheres, including the relevant consumer regulations and prohibition of money laundering and terror funding provisions.

6.7. The compliance officer shall submit periodic reports to the general manager of the Postal Bank and to the Postal Bank's senior management; the dates for filing the reports shall be determined by the senior management, provided that the minimum period for submitting the reports shall be no less than twelve months.

provided that the reports shall be submitted at least once a year.

6.8. The periodic reports that shall be submitted by the compliance officer as aforesaid shall include, *inter alia*, a summary of his activities and his recommendations, details of violations of that were identified during the period of the report, and his recommendations regarding the measures which should be taken in that regard.

6.9. The compliance officer shall immediately report any substantive violation to the general manager.

6.10. Insofar as it is necessary for fulfilling his function, the compliance officer shall have direct access, at any reasonable time, to all the units and assets of the Postal Bank and to all its records.

6.11. The senior management shall make rules for maintaining the independence of the compliance officer, and for the prevention of conflicts of interests, including the appearance of a conflict of interests.

6.12. The senior management shall make rules and determine basic principles for the annual work program of the compliance officer.

7. Explanatory notes

7.1. This directive requires the appointment of a compliance officer in the Postal Bank, and it sets out the guidelines for fulfilling his function, including the basic acts that the management of the Postal Bank is required to carry out in connection with his appointment and order of work.

7.2. The appointment of a compliance officer is part of the Postal Bank's risk management, and is aimed at substantially reducing the likelihood of violations of the law and regulatory orders, leading to the early disclosure of any such violations, reducing the exposure of the Postal Bank and its managers to claims, including those pertaining to the to the obligation of caution and the obligation of loyalty imposed on officers of the Postal Bank, to prevent financial losses that could result from those incurred by the banking corporation, and to uphold its reputation.

7.3. This directive distinguishes between a compliance officer, whose primary function is ongoing control aimed at preventing defects in the sphere of consumer relations, and an internal comptroller, whose primary function is *post factum* auditing, including examining his own the audits.

7.4. This directive applies to consumer regulations, including legislation and provisions pertaining to the sphere of money laundering and terror funding prohibition. It should be noted that this directive has wide application and confers extensive powers on the compliance officer, with respect to the various areas concerning the compliance of the Postal Bank with legislation and regulations in the various spheres, including the sphere of prudential regulation.

7.5. Effect

This directive shall come into effect on 21 Iyar 5772 (1 May 2013).

Circular “the Internal Auditing System of the Institutional body”

8th of Elul 5767

August 22, 2007

Institutional bodies 2007-9-14

Classification: General

The Internal Auditing System of an Institutional body

By virtue of my authority pursuant to section 2(b) of the Control of Financial Services (Insurance) Law 5741-1981 (hereinafter: “the Control Law (Insurance)”), and section 39(b) Control of Financial Services (Provident Funds) Law 5765-2005 (hereinafter: “the Control Law (Provident Funds)”) and after consulting with the Advisory Committee, I hereby order as follows:

1. General

The scope of assets managed by institutional bodies and the risks to which they are exposed require the existence of effective and strict control and supervision systems.

The internal audit system constitutes a central factor in the context of the supervision and control system in an institutional body, because it provides an independent assessment of the manner in which the institutional body’s policy and procedures are implemented and of the compliance with them and with the general legal directives.

This assessment is intended to preserve the assets of the institutional body, to improve and develop the institutional body’s operations and assist it in achieving its goals. Moreover, the internal auditing assists the institutional body’s management and board of directors in carrying out their functions as required by law and in meeting their responsibilities in an efficient and effective manner.

2. Purpose

The purpose of this Circular is to establish rules to ensure the efficiency and proper operation of the internal auditing systems of institutional bodies.

3. Definitions

“Institutional body with a low level of activity” – shall mean each of the following:

- (a) An insurance company licensed to engage in a single line of insurance business; for this purpose, involvement in the areas of credit insurance, insurance of the investments of purchasers of apartments, foreign trade risk insurance and the provision of guarantees as defined in paragraphs (16), (20), (23) and (24) in section 1a of the Lines of Insurance Business Announcement, in whole or in part, will be viewed as the involvement in a single line of insurance business;
- (b) An insurance company whose required equity is the amount of original equity required pursuant to Regulation 2 of the Insurance Business (Control) Regulations (Minimum Equity Required Of Insurer), 5758- 1998 (hereinafter: “the Equity Regulations”).
- (c) A managing company of pension provident funds that manages assets of not more than NIS 2 billion;
- (d) A managing company of non-pension provident funds that manages assets of not more than NIS 5 billion;

“Equity” – as defined in the Equity Regulations.

“Managed assets” –

Regarding a managing company – the total of all the provident fund assets that it manages;

Regarding an insurance company – the total of all assets held against all its liabilities, including yield dependent liabilities, non-yield dependent liabilities, equity and other liabilities.

“Auditor” – as defined in the Companies Law, 5759-1999.

4. The internal audit system

(a) Functions

The function of the internal audit system is to examine and assess, *inter alia*:

- (1) The propriety of the institutional body’s activities and of its corporate officers in terms of compliance with legal requirements and with the Commissioner’s instructions (circulars), maintenance of proper ethics and of savings and efficiency;
- (2) The execution of the board of directors’ resolutions and management decisions and the implementation of the institutional body’s procedures;
- (3) The appropriateness of the internal controls in the institutional body and their effectiveness;

In doing so, the system pays attention to at least the following, to the extent relevant:

- (a) Management’s actions;
- (b) The actions of the board of directors and of its committees in terms of compliance with legal provisions, the Commissioner’s instructions and maintenance of proper ethics;
- (c) That business activities are carried out by those who have been authorized to carry them out;
- (d) Implementation of risk management procedures at the institutional body, including means of control and follow-up regarding significant risks and preparations for risks related to exceptional events, and the effectiveness thereof, and the implementation of a methodology for the assessment of the potential impact of the said risks and the effectiveness thereof;
- (e) Administrative and financial information systems, including computerized information systems and information security risks;
- (f) Reliability of data and data bases on which the accounting records and financial reporting are based;
- (g) The means used for assessing assets and preserving them;
- (h) The means used for assessing liabilities;
- (i) Proper treatment of customers, including the handling of complaints from the public;
- (j) Transactions requiring special approval or transactions with related parties and interested parties and the specific internal controls related to them;
- (k) Correction of deficiencies that were noted in the audit reports of the internal auditor or of other parties.

(b) Permanent internal audit system

- (1) The internal auditor will be an employee of the institutional body, and he may be assisted in carrying out his function by his office’s employees or by an external source, with the help of other individuals of his choosing (hereinafter: “those engaged in internal auditing.”)
- (2) If a person serves as an internal auditor in a number of institutional bodies controlled by a single individual (hereinafter: “a group of institutional bodies”), such person will be viewed as falling within the provisions of paragraph (1) regarding the group of institutional bodies if he is an employee of an

institutional body with the most significant amount of assets or with the most equity within the group of institutional bodies (hereinafter: “the main institutional body”);

(3) Notwithstanding the provisions of paragraph (1), the board of directors of an institutional body may appoint an internal auditor who is not an employee of the institutional body, if the institutional body’s audit committee has recommended such after it has considered and documented its detailed discussion of at least each one of the following:

- (a) The complexity of the institutional body’s activity and the scope thereof.
- (b) The level of the internal auditor candidate’s familiarity with the institutional body’s business;
- (c) The internal auditor candidate’s other occupations as an internal auditor and the degree of their impact on his ability to carry out his function at the institutional body, including:
 - (1) The number of hours that he can allot to carrying out his function at the institutional body;
 - (2) The conflicts of interest that he is likely to encounter;
 - (4) The audit committee of the institutional body to which an internal auditor has been appointed, including an internal auditor who was appointed prior to this Circular’s entry into force, will discuss the subjects listed in paragraph (3), at least once every two years.

(c) Functions and powers document for the internal audit system

The board of directors of an institutional body will approve a writing that will define the powers and functions of the internal audit system (hereinafter: “the functions and powers document”),¹ which will be prepared and updated on a periodic basis by the internal auditor and approved by the audit committee. The functions and powers document will include, *inter alia*, the following:

- (1) A definition of the functions, goals and responsibilities of the internal audit system;
- (2) A determination of powers of the internal auditor and of those engaged in internal auditing and the set of relations between them and other parties at the institutional body, including the establishment of their power to demand and receive any document and information held by the institutional body which they require to carry out their function; the definition of their direct access to every position-holder in the institutional body and the establishment of their right to enter into any of the institutional body’s properties;
- (3) The establishment of the internal auditor’s responsibility for ascertaining the existence of internal auditing at corporations controlled by the institutional body, and at the institutional body’s branches;
- (4) The internal auditor’s accountability;

All relevant position-holders at the institutional body will be made aware of the functions and powers document.

(d) Ensuring the independence of the internal audit system

- (1) The chairman of the board of directors will be the party within the organization who supervises the internal auditor in an institutional body;
- (2) The internal auditor of an institutional body will have a rank equal to that of a member of the institutional body’s management and will be regularly invited to participate in all of the institutional body’s management’s meetings, but will not take part in the adoption of resolutions;
- (3) The internal auditor and those engaged in internal auditing will not be involved in carrying out the institutional body’s ongoing activities or in implementing the ongoing means of control in the institutional body;

(4) The salary and compensation of the internal auditor and of the internal audit system employees will not be dependent on the operations of the institutional body, unless there is a general compensation policy which applies to all employees of the institutional body.

(e) The internal audit system employees and parties engaged by the internal auditor from an external source

(1) No one may be appointed as an employee of the internal audit system at an institutional body or be engaged in internal auditing at an institutional body other than with the consent of the institutional body's internal auditor;

(2) The employment of an employee of the internal audit system at an institutional body or of a person engaged in internal auditing at an institutional body may not be terminated other than with the consent of the institutional body's internal auditor. If such consent has not been obtained to end such person's employment, the provisions of the law applicable to the termination of the term of office of the internal auditor shall apply, including the provisions of this Circular;

(3) The qualification requirements applicable to an internal auditor and the restrictions on appointment and service following a conviction, indictment, the conduct of a criminal investigation or the initiation of a criminal investigation, other than the conditions relating to the submission of declarations by the internal auditor, will apply as well to those engaged in internal auditing. However, a person who does not have the experience required of an internal auditor may be engaged, provided that the number of such persons does not amount to more than two thirds of those engaged in internal auditing. The internal auditor will be responsible for checking and ascertaining the compliance with these conditions;

(4) Those engaged in internal auditing will receive instructions regarding internal auditing only from the internal auditor;

(5) Those engaged in internal auditing will not carry out any additional function at the institutional body other than to serve as the ombudsman for complaints from employees;

(6) The internal auditor will ensure that there is a rotation between audit areas among all those engaged in internal auditing;

(7) The internal auditor is responsible for ensuring compliance with legal provisions and with the institutional body's procedures by those engaged in internal auditing, to the extent such are relevant to their functions.

(f) Resources, knowledge and expertise

The board of directors and management of an institutional body must ascertain that the internal audit system has the knowledge, skills, staff, means and resources needed to carry out internal auditing in the institutional body's areas of activity, including in the areas listed below (to the extent that they are relevant to the institutional body's areas of activity):

(1) Areas of involvement

- a. Life insurance;
- b. General insurance;
- c. Health insurance;
- d. Provident funds;
- e. Pension funds.

(2) Professional areas

- a. Finance, investments, credit and the capital market;
- b. Risk management;
- c. Actuarial work;
- d. Information systems;
- e. Claims management;
- f. Accounting and finance;
- g. Re-insurance;
- h. Internal auditing.

(g) Work methods

(1) Accepted standards

The internal auditor and those engaged in internal auditing will carry out the audit in accordance with the provisions of the accepted professional standards and in accordance with the accepted international standards, to the extent they do not contradict the provisions of the general law, with an emphasis on the quality of the internal auditing at the institutional body.

(2) Mapping of activities and risks survey

(a) The internal auditor will be responsible for constructing his annual and multi-year work program based on the risks survey in all the institutional body's areas of activity - which will be carried out by the internal auditor or by other independent parties, including the risks manager, provided that he has ascertained and assessed their quality and appropriateness for the needs of the internal audit.

(b) The process of carrying out the risks survey will include the construction of a risk matrix, based on the execution of each one of the processes listed below:

(1) Mapping of all the institutional body's activities;

(2) Identification of risks involved in each activity;

(3) An assessment of the residual risks in each area of activity after the assessment of the risk involved in each activity and the assessment of the manner of its management are taken into account;

(4) Mapping of the areas of significant risk in the corporation, based on the criteria for establishing significance of a risk which the audit committee has established;

(c) The internal auditor will update the risk matrix on an ongoing basis, including on the basis of the audit results, and will also carry out every update required as a result of any change in the company's activity which in the internal auditor's view can have a significant impact on the company's points of risk.

(d) The audit committee will establish the frequency with which the overall risks survey for all the institutional body's activity will be carried out, provided that the frequency for the execution of the said risks survey will not be less than once every four years.

(h) Annual and multi-year work programs for the internal audit system and the scope of internal auditing

(1) The internal auditor will submit a proposed annual work program and a proposed multi-year program to the audit committee for its approval, with a copy to the chairman of the institutional

body's board of directors and to its CEO. The proposed multi-year program will be for a period of not less than four years;

(2) The proposed multi-year work program will refer to the frequency with which the internal audit will be carried out and to its scope, in each of the institutional body's areas of activity, at an annual level, and will be based on a mapping of the institutional body's activities and on the risks survey as described in section 4(g)(2) above, and on the audit committee's determination regarding the frequency of the auditing in all the institutional body's significant areas of activity, provided that all the institutional body's areas of activity that have been mapped pursuant to the provisions of section 4(g)(2)(b) above will be audited at least once every four years and every significant activity will be audited at least once every two years;

(3) The annual work program described in sub-paragraph (1) will be based on the multi-year program and on the findings of the mapping of the institutional body's activities and on the risks survey on which the internal auditor has based the annual and multi-year work programs and will include a discussion of the subjects of the audit, the resources and the personnel, the schedules and a program for follow-up regarding the correction of deficiencies;

(4) The institutional body's audit committee will ensure that the annual and multi-year work programs are appropriate for the complexity of the institutional body's activity and for the size of the assets it manages, and that the internal audit system has the resources, knowledge, skills and ability to implement them.

(i) The internal audit system's work procedures

The internal auditor will regulate the activity of the internal audit system's activity with written work procedures, which will deal with, *inter alia*:

(1) The manner in which the annual work program will be prepared;

(2) The manner in which the audit program will be prepared;

(3) The establishment of measures which will ensure the quality of the audit – including the manner of ensuring its conformance with the annual work program, verification of findings, etc.;

(4) The manner in which the audit report will be prepared and the audited parties' responses will be received;

(5) The method for following up regarding correction of deficiencies discovered in the audit;

(6) Methods of reporting and schedules for reporting;

(7) The manner in which records will be kept of various documents and in which they will be preserved;

(8) The manner of concluding the handling of the audit report, including the determination of the party who will be authorized to confirm the conclusion of the handling of the audit report.

(j) Audit program

(1) The internal auditor and those engaged in internal auditing will carry out the audit pursuant to a written audit program;

(2) The internal auditor will prepare audit specifications for each area of the institutional body's activity, which will be updated from time to time, as needed. The audit specifications will include, *inter alia*, a specification of the legal provisions and Commissioner's instructions as well as detailed instructions regarding execution of the audit addressed to the party carrying out the audit;

(k) Reporting

- (1) The internal auditor will submit a report of his findings to the chairman of the board of directors and to the chairman of the audit committee, with a copy to the institutional body's CEO;
- (2) The report that the internal auditor submits of his findings, as described in section 152 of the Companies Law (which was applied in section 41c(a) of the Control Law (Insurance) and in section 10 of the Control Law (Provident Funds)) shall be in writing and will include the internal auditor's findings and conclusions, and it may also include his recommendations;
- (3) The internal auditor will deliver a copy of the report described in paragraph (1) to the institutional body's auditor, as relevant to the auditor's work;
- (4) If the audit of the institutional body produces extraordinary findings or a basis for an assumption that a criminal violation has been committed, the internal auditor will immediately bring the issue to the attention of the chairman of the board of directors and of the chairman of the audit committee;
- (5) The internal auditor will submit an annual report to the chairman of the board of directors and to the chairman of the audit committee, which will specify each of the following:
 - (a) Those of the internal auditor's recommendations which were not accepted by the management;
 - (b) The status of the correction of the deficiencies that the internal auditor had noted in the audit reports that he had submitted;
 - (c) The actual execution of the audits, as compared to the planning and to the work program.

5. The internal auditor

(a) Termination of the internal auditor's service

(1) If the board of directors resolves to terminate or suspend the service of the internal auditor, pursuant to the conditions established in section 153 of the Companies Law (which was applied in section 41c(a) of the Control Law (Insurance) and in section 10 of the Control Law (Provident Funds)), the following steps will be taken:

(a) The circumstances and the reasons for the termination or suspension of service will be described in the minutes of the board of directors meeting in which the termination of service or suspension was approved, and in the minutes of the audit committee's meeting in which it was resolved to recommend the termination or suspension of service;

(b) A notice regarding the termination or suspension of service will be delivered to the Commissioner

immediately after the time at which the board of directors resolved to terminate or suspend the service, whichever is relevant, along with the minutes of the meeting described in sub-paragraph (a);

(c) If an institutional body is a public company – a notice regarding the termination of service will be published in accordance with the provisions of section 34(a) of the Securities Regulations (Periodic and Immediate Reports) 5730 –1970;

(2) An internal auditor who wishes to conclude his service at an institutional body will submit a written declaration to the board of directors and to the audit committee regarding the circumstances of and reasons for his resignation. If such a declaration is received, it will be brought before the board of directors, recorded in the minutes of the first meeting held after the resignation and attached to such

minutes. A copy of the declaration will be delivered to the Commissioner immediately after its submission to the board of directors and to the audit committee. The provisions of sections (1)(b) and (1)(c) will apply to the conclusion of service as an internal auditor following a resignation;

(3) Without detracting from the provisions thereof, the provisions of paragraphs (1) through 3) above will apply regarding the termination of service for any reason whatsoever, including due to the end of a contract.

(b) Auditing by a person appointed in place of the internal auditor because of conflicts of interest

Audit reports carried out by a party who was appointed by an audit committee in an area in which the internal auditor may not carry out an audit because of a conflict of interests⁴ will be submitted to those listed in section 4(k)(1), with a copy to the internal auditor.

6. Auditing which is independent of the internal audit system

(a) At least once each five years, an independent party appointed by the audit committee will examine the activities of the internal audit system.

(b) The findings of the said examination will be submitted to those listed in section 4(k)(1).

7. Responsibility of the institutional body's management

(a) The management of an institutional body will ensure that every audit report relating to the institutional body, including the risks surveys and the audit reports carried out by the auditor and by the regulatory authorities, will be transferred immediately to the internal auditor;

(b) The management of the institutional body will discuss the internal auditor's reports pursuant to section 4(k), shortly after their distribution, and will instruct the appropriate parties to correct the deficiencies that are found and to implement the recommendations.

8. Application

This circular shall apply to all institutional bodies in Israel.

9. Entry into force

(a) This Circular will enter into force on November 1, 2007, except as described below.

(b) Section 4(b)(1) will enter into force on April 1, 2009.

(c) The first discussion pursuant to section 4(b)(4) will be held at the first meeting of the audit committee after the entry into force of this Circular, but not later than February 1, 2008.

(d) The risks survey described in section 4(g)(2)(a) and (b) above will be completed for the first time no later than March 30, 2008.

10. Temporary provisions

(a) The following provisions will apply during the years 2008 through 2011:

(1) Subject to the provisions of section 4(g), the annual hours that the internal audit system of an institutional body will be required to work, as shall be approved in the annual work program for the year 2008, will not be less than the number of audit hours in 2006, with the addition of at least half of the difference between the said number of hours and the number of hours established in Appendix A;

(2) Subject to the provisions of section 4(g), the annual hours that the internal audit system of an institutional body will be required to work, as shall be approved in the annual work program for the year 2009, will not be less than the number of audit hours in 2006 with the addition of at least two-thirds of the difference between the said number of hours and the number of hours established in Appendix A;

(3) Subject to the provisions of section 4(g), the annual hours that the internal audit system of an institutional body will be required to work, as shall be approved in the annual work program for the year 2010-2011, will not be less than the number of hours established in Appendix A;

(b) For the purpose of determining the number of hours spent pursuant to sub-section (a), in a group of institutional bodies – the number of hours established in Appendix A for institutional bodies that are not the main institutional body⁶ can be viewed as being half of those established in that Appendix, but not less than 1,800 hours for each institutional body. In addition, the amount of annual hours for all the institutional bodies that are included in the group of institutional bodies can be distributed among the institutional bodies in the group, at the discretion of the boards of directors of the said institutional bodies, provided that the total amount of hours spent on all the institutional bodies is not less than the amount of hours established in sub-section (a);

(c) Without detracting from the responsibility of the internal auditor and the audit committee, any institutional body which is supplied with operational services by another entity may, in counting the hours of internal auditing, take into consideration the hours carried out by the operating entity, subject to all of the following:

(1) The internal auditor and the audit committee of the institutional body have examined the quality of the internal audit system of the operating entity and they are satisfied with regard to its quality;

(2) Only the hours of internal auditing carried out by the operating entity which concern the institutional body's assets specifically will be counted among the internal auditing hours of the institutional body;

(3) The said internal auditing was coordinated with the institutional body's internal auditor and is consistent with the annual work program;

(4) The internal auditor of the institutional body has received the audit reports and the follow-up reports regarding the correction of deficiencies, and has examined their quality and appropriateness;

(d) Notwithstanding the provisions of sub-section (a) and without detracting from the provisions of section 4(g), the audit committees of institutional bodies that meet one or more of the following conditions may approve a smaller number of hours than that established pursuant to sub-section (a), subject to obtaining the Supervisor's approval:

(1) Institutional bodies with low levels of activity;

(2) Institutional bodies that are undergoing a liquidation or runoff process;

(3) Central pension provident funds;

(4) Central severance pay funds that have only one member.

Yadin Antebi

Commissioner of Capital Markets, Insurance and Savings

Appendix A – Amount of Internal Auditing Hours

For the purpose of this appendix –

“Receipts” – shall mean the amount of receipts from accounts, insurance contracts and investment contracts registered with the institutional body during the past 12 months.

“Managed assets” –

Shall mean, for a managing company – the total of all the provident fund's assets managed by it, according to their re-assessed value on the date of the approval of the annual work program for the following year;

Shall mean, for an insurance company – the total of all assets held against all its liabilities, including yield dependent liabilities, liabilities that are not yield-dependent, equity and other liabilities, according to their value on the date of the approval of the annual work program for the following year.

Protocol on the co-operation procedure between the prohibition of money laundering authority and the Israeli Police

State of Israel

Sub-bureau of the State Attorney of criminal affairs

Procedure for the cooperation between the prohibition of money laundering authority and the Israeli police

Introduction

1. Money laundering investigations are some of the most complex investigations in existence. These investigations are directed both at exposing original offenses, which are classical criminal offenses, and exposing the methods and means by which monies are laundered. Investigations in the area of money laundering seek to find the connection between the two kinds of criminality. Investigations in this field require, then, high proficiency in the areas of investigations and intelligence, along side extensive knowledge of areas connected with economic, financial and commercial activity.

The experience of enforcement authorities in Israel and the world testifies to the fact that a condition for the success of money laundering investigations is cooperation between the various elements doing the work. In Israel, we are talking about, first and foremost, the police, and on its side are the tax authority, the prohibition of money laundering authority, the securities and exchange commission and the bank of Israel, as well as additional elements.

2. The prohibition of money laundering authority (Henceforth – “The authority”) was established in Israel as a body which hoards and analyzes financial information according to the law. This body was established outside the police and the other enforcement authorities. The main goal of the authority’s work is lending aid to the enforcement authorities in locating suspicions of money laundering offenses, while keeping the innocent information located in the data bank it manages.

As a result of the actualization of this function, the authority hoards general knowledge about financial trade procedures, methods and activity patterns of money launderers, the proceedings of financial institutes in the area of money laundering, international standards and procedures etc.

3. The contribution of the authority to law enforcement elements is therefore expressed in two major areas: A. Passing on information from the data bank. B. Putting the professional knowledge, the analysis and the processing abilities that the authority’s experts poses in the hands of law enforcement elements, in order to expose suspicions of money laundering offenses.

Fulfilling the help that the authority gives the police, in both areas together, demands cooperation between the sides, as well as the Israeli police sharing relevant information with the people of the authority – and all in order to better the help the authority gives the police: Obviously, without a processing process based on knowledge and specialization in the area of money laundering – as well as getting information from the investigating authority, the people of the authority will have a hard time achieving an educated decision (in a manner that will not harm third sides in any great degree) regarding the transfer of information to the police. It should also be acknowledged that, alongside the expertise accumulated by the police in the area of money laundering and its characteristics, the people of the authority have accumulated a special expertise in this area. This expertise may help the police investigators beyond giving an answer out of the data bank in a concrete case, but a condition is the transfer of relevant information from the investigating authority to the authority.

4. In parallel, the Israeli police are maintaining a designated professional array in the area of money laundering and confiscation. Through this array, the police activity is directed in the area and much

professional knowledge is accumulated in the areas of intelligence and investigation. The people of said array are aided by economic data banks and designated computer systems for analyzing financial activity, and are even partners in the staff work being done in area they are responsible for.

5. From the aforementioned it is evident that there is a clear systematic interest in cooperation between the experts of the authority and the investigators and experts of the police beyond the transfer of information from the authority's data bank to the police.

6. Alongside said systematic interest, there exist other principles, which concern the transfer of knowledge and information between authorities, and they are: The need to keep the innocent information accumulating in the authority's data bank, the general (and constitutional) defense of privacy as well as operational principles. These principles justify the establishing of certain limitations of the knowledge and information transfer between the authorities.

The legal situation

7. Clause 30 of the law regulates the ways of transferring information from the data bank the authority manages to the hands of the police. The main points of clause 30 are these: It is determined that the information will be transferred in order to execute the law and the prohibition of terror financing law – 2005 only; that the transfer of information will be according to a reasoned request by the police; that the police is allowed to include in its request and reasoning, information it has, including information from the criminal registry and that the authority will be authorized to browse it.

The regulations for the prohibition of money laundering (rules for the request of information and transferring it from the authorized authority to the Israeli police) – 2002 (Henceforth – “The regulations”) regulate the way by which information passes from the authority's data bank to the police. The most important rule set in the regulations is both concerning the request for receiving information and that the information passes will be in writing (the information transferred by the authority can be communicated via a private secure net, magnetic media or on paper).

The conclusion is, then, that considering the need for cooperation but also the aforementioned other principles - and mainly the need to keep the innocent information the authority has, the legislator and the deputy-legislator have limited the manner by which information passes from the authority's data bank to the police – in order to supervise the transfer of this information.

8. Nonetheless, in our opinion, what is said by the law or the regulations is not enough to legally limit the passing of knowledge (to differentiate from the information located in the data bank) from the authority to the police, as well as the passing of knowledge and information from the police to the authority (the flow of information going the other way). The law and the regulations indeed deal in the way in which the authority gives information to the police, but only in the context of requesting information from the authority's data bank. The law and the regulations put in place by its power do not presume to fully regulate the relationship between the police and the authority.

It will be made clear, that the defense of privacy law – 1981 (as mentioned in clause 23b(b) of this law), does not prohibit the police from giving information, according to its meaning in clause 7 of the same law, in order to fulfill its function.

9. As aforementioned, in our estimation, the public interest was rewarded from a broad cooperation between the police and the authority.

Based on the totality of principles and interests previously shows, a framework of a work procedure between the authority and the police was formed. This framework seeks to regulate the cooperation beyond cooperation in regards to the transfer of information from the authority's data bank, and which is, as aforementioned, settled in the law and the regulations.

10. The law does not set a pattern of transferring information from the authority to the tax authority. Information from the data bank run by the authority passes to the tax authority, as a rule, through the police. Nonetheless, as aforementioned, there is no prohibition of passing information, general by nature, to other enforcement authorities, including the tax authority. Therefore, the procedure that will be detailed below will apply, in the committed changes (and especially the duty of secrecy according to the tax laws), also in the matter of cooperation between the authority and the tax authority.

Framework of the procedure

10.1 The police and the authority will cooperate between them in order to advance the investigations in the area of money laundering.

10.2 The police will share information with the people of the authority, whenever it is required for the purposes of an investigation. The authority will aid the police in its areas of expertise, meaning: Analysis and estimation of specific actions, based on the general knowledge accumulated by it on the topic of financial trade procedures, methods and action patterns of money launderers, the proceedings of financial institutes in the area of money laundering, international standards and procedures etc.

In this procedure, “Information” - detail, raw or processed, which concerns a specific person or a suspicion of committing a certain offense; “Knowledge” – familiarity or expertise in the matter of a rule or method concerning action patterns in the area of money laundering.

10.3 Said cooperation, which will, in addition to the cooperation existing in staff level, will be performed by authorized elements in the police (Henceforth – “money laundering officers”) as well as by the commanders of the investigating units in coordination with the money laundering officer.

Accordingly, every investigating authority will have a money laundering officer at their disposal, which will accompany the investigations in this area.

10.4 In the interest of removing doubt, there is no prohibition of maintaining meetings between the money laundering officers (or anyone who is invited by them and the unit commanders) and the people of the authority. Meetings such as these can regard the handling of a request to receive information according to the law, as well as additional cases – all in accordance with the judgment of elements of the investigation and according to the request of the authority’s people.

10.5 The money laundering officer or anyone acting on his behalf is under the duty of documenting, in writing, the course of things in these meetings, the more specific information is transferred, according to the regular laws of documenting an investigation.

10.6 In case that, during the cooperation between the authorities according to this procedure, there will be a need to transfer information from the authority’s data bank, it will only be done in accordance with the instructions of the law and the regulations. It will be made specifically clear that the reports of the authority according to clause 30(e) of the law will only be passed to elements authorized to submit a police request, according to the regulations.

10.7 The authority’s people will keep the information transferred to them by the Israeli police, and will not transfer it to other elements, unless approved to do so by the police.

10.8 A steering team was established at the state advocacy, in the subject of money laundering. This team, headed by the deputy state attorney (criminal affairs) will deal, among other things, with outlying a strategy and work methods between the various bodies handling the subject. The team will deal with questions of principal in the matter of enforcement policy as well as problems occurring ad hoc, and has the authority to set general procedures and regulations.

The steering team will follow the execution of the procedure and will make the final decision in disputes arising in all that concerns its implementation or in other topics related to enforcement in the area of money laundering.

Memorandum of understanding for cooperation and information exchange between the Banking Supervision Department, the Securities Authority and the Capital Market, Insurance and Savings Division

1. Purposes and principles

1.1 This memorandum of understanding is intended to create a framework for cooperation and information exchange between the supervisors of the financial markets in Israel—the Supervisor of Banks, the Securities Authority and the Commissioner of the Capital Market, Insurance and Savings (hereinafter: "the supervisors").

1.2 The purpose of the memorandum is to promote effective, fair, uniform and coordinated supervision in order to enhance the stability, transparency and fairness of the financial markets in Israel, and to promote the development and competitiveness of these markets, all this with the aim of boosting the confidence of the investors in those markets.

1.3 The supervisors will act within the framework of this memorandum in order to promote the application of accepted international supervisory standards and best practices to the financial markets in Israel.

1.4 This memorandum does not replace and does not detract from any other legislation and/or regulatory arrangement ("regulatory arrangement", hereinafter: "application of regulatory authority").

1.5 This memorandum does not replace and does not retract from the authority conferred and the responsibility imposed on each of the supervisors under the law.

2. Liaison Committee

2.1 A Liaison Committee (hereinafter: "the committee") will be established for the purpose of promoting and setting the cooperation and information exchange between the supervisors—all this in accordance with the purposes and objectives determined in this memorandum.

2.2 The committee will be comprised of the three supervisors.

2.3 The committee will convene as necessary and at least once a month, and will discuss *inter alia* relevant trends and changes in the sectors supervised and their implications, proposed legislative and regulatory changes, and any other matter that is relevant to the supervisors' areas of responsibility and authority.

2.4 The committee will establish sub-committees for dealing with specific matters or permanent sub-committees for preparing subjects for discussion by the committee.

2.5 At its discretion and as relevant, the committee will be able to invite additional participants to its meetings.

2.6 The discussions of the committee and the sub-committees will be documented and published in a manner that will be determined by the committee.

2.7 The committee will determine the modes of operation and processes of information exchange between the supervisors, and *inter alia* will determine principles concerning the following matters:

2.7.1 Modes of operation of the committee: such as the frequency at which it convenes, the ways in which it and its sub-committees work, and principles for the management of meetings (including policy and principles for raising matters on its agenda), and mechanisms for reporting to the committee.

2.7.2 Cooperation and information exchange mechanisms: determination of the nature, manner and extent of the cooperation and information exchange processes— including mechanisms for making contact and

cooperation between the intermediate employees of supervisors, deployment of mechanisms for information exchange (such as volume and timetables), and determination of modes of operation in crisis situations.

3. Supervisory policy for the financial markets

3.1 The supervisors agree that any new regulatory arrangement and/or legislation, even if sector-specific, may have an impact on the interfacing sectors, and on the stability and competitiveness of the financial markets as a whole.

3.2 Before the final publication of a new material regulatory arrangement and/or of material legislative changes planned in his areas of authority, which are likely to have a material effect on the areas of responsibility and authority of the other supervisors and/or on the stability and competitiveness of the relevant markets in their entirety, each supervisor must report to the other supervisors and allow them to express their opinion concerning that proposed regulatory arrangement in a discussion at the committee or in another format.

3.3 The supervisors agree that when necessary and as relevant, additional joint mechanisms should be deployed in all matters relating to supervision, regulatory arrangement and legislation in respect of the financial markets.

4. Information exchange and enforcement liaison

4.1 The supervisors agree that the full and real-time exchange of information is an important and material element in the promotion of the objectives of this memorandum.

4.2 As relevant and providing that this does not harm the execution of investigative and audit activities, the supervisors agree to share with the other supervisors information that is available to them and that is necessary for the other supervisors for the purpose of fulfilling their function.

4.3 The supervisors agree not to disclose/transfer to third parties restricted information reaching them from the other supervisors, unless this was arranged and agreed in advance with the supervisor who transferred the information.

4.4 The supervisors will examine ways of increasing the efficiency of the gathering of information from the supervised bodies, including ways for the joint gathering of information for the purpose of reducing the burden on the supervised bodies.

4.5 The committee will determine detailed principles concerning the exchange and transfer of information—taking due account of information secrecy principles and the manner in which the information is used.

5. Mutual help and reciprocal relationships

5.1 The supervisors agree to help each other in all matters relating to the application of coordinated supervision of the financial markets—including in this respect the gathering, analysis and processing of information, and enforcement and compliance activities.

Supervisor of Banks

Securities Authority

Commissioner of the Capital Market

24/06/07

Memorandum of Understanding for Collaboration between the Supervision of Banks, the Securities Authority, the Capital Market Insurance and Savings Department, the Money Service Providers Registration Unit, the Supervision of the Postal Bank, the Tax Authority, the Money Laundering and Terror Financing Prohibition Authority

1. OBJECTIVES AND PRINCIPLES

1.1 This Memorandum of Understandings is designed to create a framework for collaboration between the various bodies allegiance for the regulating the regime of anti-money laundering and terror financing in Israel - the Supervision of Banks, the Securities Authority, the Commissioner of the Capital Market Insurance and Savings, the Money Service Providers Registration Unit, the Supervision of the Postal Bank, the Tax Authority, the Money Laundering and Terror Financing Prohibition Authority (hereinafter - The Regulatory Bodies). Such collaboration shall occur in accordance with the special needs and characteristics of each supervised entity and each Regulatory Body.

1.2 The purpose of the Memorandum is the aspiration of promoting an efficient and coordinated supervision, in so far as is possible, by the Regulatory Bodies of the Financial Institutions or other entities under their authority, as the case may be, of aspects of the Prohibition of Money Laundering Law, 5760-2000, the Prohibition of Financing Terrorism Law, 5765-2005, and the Orders issued pursuant to them, with the object of fighting the phenomenon of money laundering and terror financing in the State of Israel.

1.3 This Memorandum preserves the framework of the powers and responsibilities of the Regulatory Bodies and does not derogate from any legislative enactment or other arrangement or from the power vested in and the responsibility imposed on each of the Regulatory Bodies under any law.

1.4 The Regulatory Bodies shall act for implementation of the International Standard in the sphere of prohibition of money laundering and terror financing in the framework of legislative action, regulation and enforcement, in so far as possible, and in reference to the needs and characteristics of the Regulatory Bodies and of the supervised entities.

1.5 It should be clarified that any transmission of information that will take place in the context of this Memorandum shall be subject to the statutory restrictions that apply to each of the Regulatory Bodies.

2. CONTROL POLICY OVER FINANCIAL INSTITUTIONS AND OTHER ENTITIES

2.1 The Regulatory Bodies agree that they should aspire, in so far as possible, to formulate a standard control policy *mutatis mutandis* as the case may be, and to the degree that this shall not prejudice the special needs of each supervised entity and of each Regulatory Body, this, in order to increase the effectiveness of enforcement of the anti- money laundering and terror financing regime.

2.2 The Regulatory Bodies shall, as far as is possible, assist in the promotion of legislation or regulation in order to implement the provisions of the Prohibition of Money Laundering Law and the Prohibition of Financing of Terrorism Law.

2.3 The Regulatory Bodies shall collaborate, as far as is possible, and in reference to the special needs of each supervised entity and each Regulatory Body, in the publication of circulars in all matters pertaining

to the requisite provisions in order to implement the prohibition of money laundering and financing of terrorism regime, and this subject to the powers vested in each Regulatory Body. It should be clarified that the provisions of this Section shall not prejudice or derogate from the power, of each of the Regulatory Bodies vested in them by statute to issue directives or interpretations to supervised entities.

2.4 The Regulatory Bodies agree that new regulation or legislation in the sphere of money laundering and terror financing is likely to influence on the interacting sectors, and accordingly every Regulatory Body shall make an effort to update prior to the final publication, regarding substantive new regulation or planned legislative changes in the sphere of its jurisdiction, that are likely to materially affect the areas of authority and jurisdiction of the other Regulatory Bodies.

3. MUTUAL ASSISTANCE AND RECIPROCAL RELATIONS

3.1 The Regulatory Bodies shall exchange theoretical, research and legal information in their possession, as far as is possible and upon request and prior arrangement, in fields of prohibition of money laundering and terror financing, and subject to the restrictions applicable to them under any Law.

3.2 The Regulatory Bodies will assist each other to the degree that this is possible, in so far as is necessary in the context of international evaluation procedures, in response to questionnaires from international organizations and participation in international forums.

4. REGULATORS FORUM

4.1 A forum has been established in which representatives of all Regulatory Bodies are participating. The forum conducts meetings with the object of promoting, as far as it is possible, uniformity in the policy of supervision and regularization of the collaboration and participation in the information between them - and all in accordance with the objectives and aims specified in this Memorandum, and subject to the special needs of each sector and in accordance with the power of each of the Regulatory Bodies vested in them by Law.

4.2 The members of the forum may, at their discretion, by prior arrangement and depending on the matter concerned, invite other parties to their meetings including representatives of the State Attorney's Office, the Israel Police and other parties.

4.3 The forum shall convene as and when necessary, and at least twice annually, and shall discuss *inter alia*, the legislative and regulatory changes being proposed in the sphere of prohibition of money laundering and terror financing, trends and relevant changes in the supervised sectors - their ramifications, and any other subject that is relevant to the sphere of authority and jurisdiction of the Regulatory Bodies in this field.

4.4 The Money Laundering and Terror Financing Prohibition Authority, in conjunction with members of the forum shall regulate the working methods of the forum, the frequency of its convening, including policy and rules for the raising issues on the agenda.

SIGNED:

The Supervisor of Banks, Mr. David Zaken	Chairman of the Securities Authority, Professor Shmuel Hauser	The Commissioner of the Capital Market Insurance and Savings, Professor Oded Sarig
Senior Deputy Director of Intelligence and Drug Investigations in the Taxes Authority Mr. Avi Ardit	Head of the Authority for the Prohibition of Money Laundering and Financing of Terrorism, Mr. Paul Landes	The Supervisor of the Postal Bank, Mr. Oren Levian

July 2012

Number of indictments and convictions for FATF Designated Categories of Offences

Prepared by IMPA

FATA Designated Categories of Offences ¹	2009		2010		2011		2012		Total		Percentage	
	Indict	Convict	Indict	Convict	Indict	Convict	Indict	Convict	Indict	Convict	Indict	Convict
Participation in an organised criminal group and racketeering:												
§2, 3 ²	0	4	8	8	7	1	12	0	27	13	7.6%	8%
Terrorism, including terrorist financing												
§8,9 ³ ; Offences under The Prevention of Terrorism Ordinance; Under the Defense (Emergency) Regulations, 1943; Articles 2,3,4,5,6 of Chapter 7	0	0	0	0	2	0	2	0	4	0	1.1%	0%
Trafficking in human beings and migrant smuggling; Sexual exploitation, including sexual exploitation of children;												
§370, 374A,376A, 376B, 377A, 375A, 376, 199, 201, 202, 203, 203A, 203B, 204, 205, 214	7	0	5	0	1	0	0	5	13	5	3.6%	3.1%
Illicit trafficking in narcotic drugs and psychotropic substances;												
Offences under The Dangerous Drugs Ordinance ⁴	3	0	4	2	0	0	0	0	7	2	1.9%	1.2%
Illicit arms trafficking												
§144	0	0	1	1	0	0	6	1	7	2	1.9%	1.2%
Illicit trafficking in stolen and other goods												
§411, 413J, 413K	0	0	0	0	2	1	2	4	4	5	1.1%	3.1%

Corruption and bribery													
\$291, 292, 293, 294, 295, 296, 297, §4 ⁵	1	0	1	0	2	0	12	0	15	0	4%	0%	
Fraud													
\$415, 422, 423, 424A, 425, 426, 431, 439, 440, 441, 442, 443, 444, §17 ¹³ , §54 ¹⁴ , §117(b)(3) ¹⁵	5 ¹²	2 ¹¹	12 ¹⁰	11 ⁹	20 ⁸	5	45 ⁷	5 ⁶	82	23	23%	14.2%	
Counterfeiting currency													
\$462,464, 465, 471, 472, 473, 474, 475, 476, 477, 478, 479	0	0	0	0	0	0	0	0	0	0	0%	0%	
Counterfeiting and piracy of products													
§486, Offences related to infringements of copyrights, patents, designs and trademarks, under the Copyrights Ordinance, the Patents Law , 5727-1967, Patents and Designs Ordinance, The Trademark Ordinance [New Version], 5732-1972, and the Merchandise Marks Ordinance.	0	0	4	1	0	9	0	1	4	11	1.1%	6.8%	
Environmental Crime													
§204 ¹⁶ ; §14 ¹⁷ ; §111 ¹⁸	0	0	0	0	2	0	0	0	2	0	0.5%	0%	
Murder, grievous bodily injury													
§300,305	0	0	0	0	0	0	0	0	0	0	0%	0%	
Kidnapping, illegal restraint and hostage-taking													
§369, 370,	4	0	0	0	0	0	1	5	5	5	1.4%	3.1%	

371,372, 373, 374, 375, 377													
Robbery or theft													
384, 390, 391, 392, 393, 402, 403, 404, 411, 413B, 413F, §16 ¹⁹	6	6	9	3	5	1	5	3	25	13	7%	8%	
Smuggling													
§211, 212 ²⁰ Ordinance or under the Import and Export Ordinance [New Version], 5739-1979	1	0	7	7	4	7	5	0	17	14	4.8%	8.6%	
Extortion													
§427, 428, 430	0	4	2	2	12	1	8	5	22	12	6.1%	7.4%	
Forgery													
§418, 419, 420, 421, 413H, 413I	5	0	6	3	6	1	21	9	38	13	10.8%	8%	
Piracy													
§169	0	0	0	0	0	0	0	0	0	0	0%	0%	
Insider trading and market manipulation													
§52C, 52D, 54 ²¹	0	0	0	0	1	1	0	0	1	1	0.2%	0.6%	
Gambling ²²													
§225, 228	18	11	23	11	21	10	21	11	83	43	23%	26.5%	

Other relevant information

Designated categories of offences

Country - Israel	
Designated categories of offences based on the FATF Methodology	Offence in domestic legislation
Participation in an organised criminal group and racketeering;	(18A) Offences under sections 2 and 3 of the Combating Criminal Organisation Law.
Terrorism, including terrorist financing	(18) Offences under the Prevention of Terrorism Ordinance, under the Defense (Emergency) Regulations, 1943, under sections 8 and 9 of the PTFL or under Articles Two to Six of Chapter Seven of Part Two of the Penal Law.
Trafficking in human beings and migrant smuggling; Sexual exploitation, including sexual exploitation of children;	(8) Offences against the person under Article Seven of Chapter Ten of Part Two of the Penal Law. (3) Offences related to acts of prostitution under sections 199, 201, 202, 203, 203A, 203B, 204 and 205 of the Penal Law; (Children – Section 203B of the Penal Law).
Illicit trafficking in narcotic drugs and psychotropic substances;	Offences under the Dangerous Drugs Ordinance, not being offences of self-use of a drug, possession of a drug for self-use, possession of premises for personal consumption of a drug and possession of instruments for self-use of a drug.
Illicit arms trafficking	(2) Offences of illegal trading in arms under section 144 of the Penal Law.
Illicit trafficking in stolen and other goods	(9) Offences against property under section 411 of the Penal Law. (10) Offences of obtaining a vehicle or stolen parts and trading in a vehicle or stolen parts, as provided in sections 413J, 413K of the Penal Law.
Corruption and bribery	(6) Offences of bribery under Article Five of Chapter Nine of Part Two of the Penal Law.

	(18A) Offences under section 4 of the Combating Criminal Organisation Law.
Fraud	<p>(11) Offences under Article Six of Chapter Eleven of Part Two of the Penal Law, excluding offences under sections 416, 417 and 432; (including sections 415, 422, 423, 424A, 425, 426, 431)</p> <p>(11A) Offences under sections 439-444 of the Penal Law.</p> <p>(13) Offences under section 17 of the Debit Cards Law, 5746-1986.</p> <p>(14) Offences under section 54 of the Securities Law, 5728-1968.</p> <p>(17) An Offence under section 117(b)(3) of the Value Added Tax, 5735-1975, committed in aggravated circumstances.</p>
Counterfeiting currency	(12) Offences of forgery of money and coins, under Articles One and Two of Chapter Twelve of Part Two of the Penal Law, excluding offences under sections 463, 466, 467, 480, 481 and 482.
Counterfeiting and piracy of products	<p>(16) Offences related to infringements of copyrights, patents, designs and trademarks, under the Copyrights Ordinance, the Patents Law, 5727-1967, Patents and Designs Ordinance, The Trademark Ordinance [New Version], 5732-1972, and the Merchandise Marks Ordinance.</p> <p>(12) Installation of a tool for making stamps under section 486 of the Penal Law.</p>
Environmental crime	<p>(18C) An offence of using real estate without a permit or in breach of a permit, under section 204 of the Planning and Construction Law, 1965, or an offence under 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;</p> <p>An offence under section 111 of the Mines Ordinance,</p>

	concerning mining of sand.
Murder, grievous bodily injury	(7) Offences of murder and attempted murder under sections 300 and 305 of the Penal Law.
Kidnapping, illegal restraint and hostage-taking	(8) Offences against the person under Article Seven of Chapter Ten of Part Two of the Penal Law.
Robbery or theft;	(9) Offences against property under sections 384, 390 to 393, 402 to 404 and 411 of the Penal Law; (10) Offences of theft of a vehicle – sections 413B, 413F of the Penal Law. (13) Offences under section 16 of the Debit Cards Law, 5746-1986;
Smuggling	(14) Offences of smuggling goods under sections 211 and 212 of the Customs Ordinance or under the Import and Export Ordinance [New Version], 5739-1979;
Extortion	(11) Offences under sections 427, 428 and 430 of the Penal Law.
Forgery	(11) Offences under sections 418, 419, 421 of the Penal Law. (10) Offences under sections 413H, 413I of the Penal Law (Vehicles).
Piracy	(2A) Offences under section 169 of the Penal Law.
Insider trading and market manipulation	(15) Offences under sections 52C, 52D and 54 of the Securities Law, 5728-1968.

Additional predicate offences:

- Offences of trading with the enemy.
- Proliferation offences.

Annexes to the Convention for the Suppression of the Financing of Terrorism

Israel	
Convention for the Suppression of the Financing of Terrorism	Offence in domestic legislation
1970 Convention for the Suppression of Unlawful Seizure of Aircraft	Aviation Law (Offences and Jurisdiction)- 1971 Amendments to this law were made by the Aviation Law- 2011, section 186 (Date of Effect 14/10/1971)
1971 Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation	Aviation Law (Civil aviation security)- 1977 The law was amended by the Aviation Law- 2011, section 187. (Date of Effect 26/01/1973)
1973 Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents	Immunity of foreign countries Law- 2008, section 2 (Accession 31 Jul 1980)
1979 International Convention against the Taking of Hostages .	Penal Law, 1977: Sections 369-374, 375- Abduction and offences against Liberty (Signature 19 Nov 1980, No Ratification)
1980 Convention on the Physical Protection of Nuclear Material (including 2005 Amendment)	Penal Law, 1977 – Articles 144, 215, 218, 221, 222, 298, 300, 305, 333, 336, 338, 339, 452 Prevention of Hazards Law, 1961 – Article 4(A) Dangerous Substance Law, 1993 – Article 15 Transport Services Law, 1997 – Articles 2, 18 Pharmacists Regulations (Radioactive Elements and

	<p>their Products), 1980 – Regulations 6-8, 16</p> <p>Dangerous Materials Regulations (Disposal of Radioactive Waste), 2002 – Regulations 2, 10</p> <p>Order on Import and Export (Supervision on Exports in the Chemical, Biological and Nuclear fields), 2004 – Regulations 3,4</p> <p>Import and Export Ordinance [Consolidated Version], 1979 – Article 7</p>
<p>1988 Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation .</p>	<p>Section 18A (An endangering airports and passenger's terminal) of the Aviation Law (Offences and Jurisdiction)- 1971</p> <p>(Signature 24/02/1988</p> <p>08000002800ca518</p> <p>Ratification 02/04/1993</p> <p>Date of Effect 02/05/1993)</p>
<p>1988 Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation .</p>	<p>Maritime Law (International maritime transportation security and maritime facilities offences)- 2008</p> <p>(No Signature, No Ratification.)</p>
<p>1988 Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms Located on the Continental Shelf .</p>	<p>Maritime Law (International maritime transportation security and maritime facilities offences)- 2008</p> <p>(No Signature, No Ratification.)</p>
<p>1997 International Convention for the Suppression of Terrorist Bombings .</p>	<p>Terrorism Prevention Law- 1948</p> <p>Sections 58, 59, 62, 64, 66, 67, 84-85 to the Defense Regulations (Emergency) -1945</p> <p>The Penal Law, 1977:</p>

	<p>Sec 298 and 399- Manslaughter and murder</p> <p>Sec 329-330- Injure by explosive substances</p> <p>339-340- Neglect of keeping firearms and dangerous materials</p> <p>(Date of Effect 10 Feb 2003)</p>
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Status of Implementation of the Vienna Convention, the Palermo Convention and the UN International Convention for the Suppression of the Financing of Terrorism

Implementation of the Vienna Convention

Provisions of the Vienna Convention	legislative acts and regulations that cover requirements of the Vienna Convention
Article 3 (Offences and Sanctions)	Dangerous Drugs Ordinance [New Version], 1973
Article 4 (Jurisdiction)	Penal Law, 1977 - Articles 7, 11, 12, 15, 16, 17
Article 5 (Confiscation) <ul style="list-style-type: none"> - with regard to confiscation of proceeds derived from offences involving illicit trafficking of narcotic drugs or psychotropic substances; - with regard to seizure of property (assets); - with regard to rendering mutual legal assistance. 	Dangerous Drugs Ordinance [New Version], 1973 – Articles 31(6), 35, 36, 36A-36I. Prohibition on Money Laundering Law, 2000 – Articles 1, 21-23 International Legal Assistance Law, 1998 – Articles 33-43
Article 6 (Extradition)	Extradition Law, 1954
Article 7 (Mutual Legal Assistance)	International Legal Assistance Law, 1998
Article 8 (Transfer of Proceedings)	Optional section
Article 9 (Other Forms of Cooperation and Training)	International Legal Assistance Law, 1998 Taxation on Import and Export (Assistance to Foreign Countries) Law, 1992 Prohibition on Money Laundering Law, 2000
Article 10 (International Cooperation and Assistance for Transit States)	In accordance with Israeli law
Article 11 (Controlled Delivery)	In accordance with Israeli law - no specific legislation
Article 15 (Commercial Carriers)	In accordance with Israeli law - no specific legislation

Article 17 (Illicit Traffic by Sea)	In accordance with Israeli law
Article 19 (The Use of the Mails)	In accordance with Israeli law - no specific legislation

Implementation of the Palermo Convention

Provisions of the Palermo Convention	legislative acts and regulations that cover requirements of the Palermo Convention
Article 5 (Criminalization of Participation in an Organized Criminal Group)	Sections 2-4 to the Combating of Organized Crime Law
Article 6 (Criminalization of the Laundering of Proceeds of Crime)	<p>Section 3(1) to the Prohibition on Money Laundering Law, 2000.</p> <p>[The established criminal offences in Sections 2-4 to the Combating of Organized Crime Law, are predicate offences according to the 1th Annex (section 18(a))]</p>
Article 7 (Measures to Combat Money-Laundering)	<p>Prohibition on Money Laundering Law, 2000 and Secondary Legislations and Orders that establish regulatory and supervisory regime for regulated financial entities:</p> <p>Banking and credit card operators, Incurrence, Sec. portfolio managers, stock exchange dealers, Pension funds , MSBs- Money Services Bureaus, Postal Bank</p> <ul style="list-style-type: none"> • Prohibition on Money Laundering (The Banking Corporations' Requirement regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order; • Prohibition on Money Laundering (The Currency Services Providers' Requirement regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order;

	<ul style="list-style-type: none"> • Prohibition on Money Laundering (The Portfolio Managers’ Requirement regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order; • Prohibition on Money Laundering (The Stock Exchange Members’ Requirement regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order; • Prohibition on Money Laundering (The Provident Funds and a Company Managing a Provident Funds’ Requirement regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order; • Prohibition on Money Laundering (The Insurer and Insurance Agents’ Requirement regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order; • Prohibition on Money Laundering (The Postal Bank’s Requirement regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order;
Article 10 (Liability of Legal Persons)	Section 23 to the Penal Law, 1977
Article 11 (Prosecution, Adjudication and Sanctions)	Sections 2-4 to the Combating of Organized Crime Law
Article 12 (Confiscation and Seizure)	Sec 3-7 to the Combating of Organized Crime Law
Article 13 (International Cooperation for Purposes of Confiscation)	Sec. 33-43 to the International Legal Assistance Law, 1998 And - Section 30 (6) of the Prohibition on Money Laundering Law, 2000 (for the assets recovery)
Article 14 (Disposal of Confiscated Proceeds of Crime or Property)	Confiscation Fund managed by Public Trustee according to Dangerous Substances Regulations (Fund

	management methods for forfeited assets)
Article 15 (Jurisdiction)	Penal Law, 1977 - Articles 7, 11, 12, 15, 16, 17
Article 16 (Extradition)	Extradition Law, 1954
Article 18 (Mutual Legal Assistance)	International Legal Assistance Law, 1998
Article 19 (Joint Investigations)	International Legal Assistance Law, 1998 Section 30 (6) of the Prohibition on Money Laundering Law, 2000
Article 20 (Special Investigative Techniques)	In accordance with Israeli law
Article 24 (Protection of Witnesses)	Witness Protection Law, 2008
Article 25 (Assistance to and Protection of Victims)	Victims' of Crime Rights Law, 2001
Article 26 (Measures to Enhance Cooperation with Law Enforcement Authorities)	International Legal Assistance Law, 1998
Article 27 (Law Enforcement Cooperation)	International Legal Assistance Law, 1998 Section 30 (6), 30(5), 30 (2) of the Prohibition on Money Laundering Law, 2000
Article 29 (Training and Technical Assistance)	In accordance with Israeli law
Article 30 (Other Measures: Implementation of the Convention through Economic Development and Technical Assistance)	In accordance with Israeli law
Article 31 (Prevention)	In accordance with Israeli law – criminal records
Article 34 (Implementation of the Convention)	Sections 2-4 to the Combating of Organized Crime Law

Implementation of the UN International Convention for the Suppression of the Financing of Terrorism

Provisions of the UN International Convention for the Suppression of the Financing of Terrorism	legislative acts and regulations that cover requirements of the UN International Convention for the Suppression of the Financing of Terrorism
Article 2	Section 8-9 to the Prohibition Terrorism Financing Law
Article 3	<p>Penal Law, 1977 –</p> <p>Sections 7, 11, 12, 15, 16, 17- Applicability of Penal Laws according to place where offence was committed</p>
Article 4	<p>1. Section 8-9 to the Prohibition Terrorism Financing Law</p> <p>2. <u>The Penal Law:</u></p> <p>Sections 25-34(4) – Parties to the offence, attempt to commit an offence</p> <p>Section 145- 149 – Prohibited association, donations, membership and so on.</p> <p>Sec. 165-166- Violence against a foreign state and incitement to hostility against friendly state</p> <p>Sec 298 and 399- Manslaughter and murder</p> <p>Sec. 327-336, 342-343- Endangering life and health</p> <p>Sec. 369-375, 377A- Offences against Liberty</p> <p>Sec. 378-382- Assault</p> <p>Sec. 448, 450, 452, 453, 454, 456- Damages, damage by explosive, arson acts.</p> <p>Sec 497-499- Offences of Preparation and Conspiracy</p>

	<p>3. <u>Sec. 58, 59, 62, 64, 66, 67, 84-85 to the Defense Regulations (Emergency) -1945</u></p> <p>4. <u>Sec. 3 (Money Laundering offences) and Sec. 4 (performing a transaction with prohibited property) to the Prohibition Money Laundering Law, 2000</u></p> <p>5. Sec. 17, 18, 18A, 19, 20 to the Aviation Law (Offences and Jurisdiction)- (1971Amendments to this law were made by the Aviation Law- 2011, section 186)</p>
Article 5	Section 23 to the Penal Law, 1977
Article 6	<p>Israeli Laws have no restrictions of criminal liability for a philosophical, ideological, racial, ethnic, and religious or other similar nature considerations.</p> <p>Sec 34F - 34T to the Penal Law, 1977- Regular restrictions of criminal liability (mental incompetence, minority, self-defence and etc.)</p>
Article 7	Section 7 - 17 to the Penal Law, 1977- Applicability of Penal laws on domestic and foreign offences
Article 8	<p>Articles 3-9 to the Combating of Organized Crime Law</p> <p>International Legal Assistance Law, 1998 –Sec. 33-43</p> <p>Sec. 84(2), 120 to the Defense Regulations (Emergency) -1945</p>
Article 9	Extradition Law, 1954
Article 10	Sec. 1A and 2A, Extradition Law, 1954
Article 11	Sec. 2, Extradition Law, 1954

Article 12	International Legal Assistance Law, 1998
Article 13	Extradition Law, 1954 and International Legal Assistance Law, 1998, do not exclude fiscal offences.
Article 14	Extradition Law, 1954, section 2B(a)(1) International Legal Assistance Law, 1998, section 5(a)(2)
Article 15	Extradition Law, 1954, section 2B(a)(2) International Legal Assistance Law, 1998, , section 5(a)(3)
Article 16	Sec. 22-27 to the International Legal Assistance Law, 1998
Article 17	Sec. 11B to the Prisons Ordinance. Sec. 9 to the Criminal Procedure Ordinance (Search and Arrest), 1969
Article 18	Prohibition on Terror Financing Law, 2005

Status of Implementation of the UN Security Council Resolutions

Resolution 1267 (1999)

Provisions of the Resolution 1267 (1999)	legislative acts and regulations that cover requirements of the Resolution 1267 (1999)
<p><u>subparagraph “a” of paragraph 4</u> <i>Deny permission for any aircraft to take off from or land in their territory if it is owned, leased or operated by or on behalf of the Taliban as designated by the Committee established by paragraph 6 below, unless the particular flight has been approved in advance by the Committee on the grounds of humanitarian need, including religious obligation such as the performance of the Hajj;</i></p>	<p>Israel does not have diplomatic relations with Afghanistan.</p>
<p><u>subparagraph “b” of paragraph 4</u> Freeze funds and other financial resources, including funds derived or generated from property owned or controlled directly or indirectly by the Taliban, or by any undertaking owned or controlled by the Taliban, as designated by the Committee established by paragraph 6 below, and ensure that neither they nor any other funds or financial resources so designated are made available, by their nationals or by any persons within their territory, to or for the benefit of the Taliban or any undertaking owned or controlled, directly or indirectly by the Taliban, except as may be authorized by the Committee on a case-by-case basis on the grounds of humanitarian need;</p>	<p>Regulation 84 (1)(b) of the Defense Regulation (State of Emergency), 1945.</p> <p>The legal effect of this declaration is detailed in UN document S/2001/1312 in paragraphs 1(b)3 and 1(c)2.</p> <p>Prevention of Terrorism Ordinance, 1948.</p> <p>The provisions and their applications are detailed in UN Document S/2001/1312 in paragraphs 1(b)1 and 1(c)1.</p> <p>Terrorist Financing Law, 5765-2005</p>

Resolution 1333 (2000)

Provisions of the Resolution 1333 (2000)	legislative acts and regulations that cover requirements of the Resolution 1333 (2000)
<p><u>subparagraphs “a”, “b”, and “c” of paragraph 5</u></p> <p><i>(a) Prevent the direct or indirect supply, sale and transfer to the territory of Afghanistan under Taliban control as designated by the Committee established pursuant to resolution 1267 (1999), hereinafter known as the Committee, by their nationals or from their territories, or using their flag vessels or aircraft, of arms and related materiel of all types including weapons and ammunition, military vehicles and equipment, paramilitary equipment, and spare parts for the aforementioned;</i></p> <p><i>(b) Prevent the direct or indirect sale, supply and transfer to the territory of Afghanistan under Taliban control, as designated by the Committee, by their nationals or from their territories, of technical advice, assistance, or training related to the military activities of the armed personnel under the control of the Taliban;</i></p> <p><i>(c) Withdraw any of their officials, agents, advisers, and military personnel employed by contract or other arrangement present in Afghanistan to advise the Taliban on military or related security matters, and urge other nationals in this context to leave the country;</i></p>	<p>The Export Control Law (2007) regulates the export of equipment, technology and services. The Dual-Use Items are also regulated within this legal framework when items are intended for security and/or military end use. The law is complementary by orders of the Ministry of Industry, Trade and Labor which regulate the control over supply of missile related dual-use items, dual-use Wassenaar items and all chemical, biological and nuclear dual-use items.</p> <p>Notably, according to the Export Control Law (2007), brokering activities performed by Israeli citizens which are in contravention to the UN Security Council sanction resolutions constitutes a criminal offence.</p> <p>The law sets forth provisions for effective export licensing systems. The licensing processes involve the Ministry of Trade and Industry, Ministry of Foreign Affairs and Ministry of Defense. The legislation also provides for criminal and administrative penalties in case of violations.</p> <p>The above mentioned legislation replaced older legislation which regulates the Export Control until 2007.</p>
<p><u>subparagraphs “a”, “b”, and “c” of paragraph 7</u></p>	<p>Paragraph 7 has no subparagraphs</p> <p>Israel does not have diplomatic relations with Afghanistan.</p>
<p><u>subparagraphs “a”, “b” and “c” of paragraph 8</u></p> <p><i>To close immediately and completely all</i></p>	<p>(a) Israel does not have diplomatic relations with</p>

<p><i>Taliban offices in their territories;</i></p> <p><i>(b) To close immediately all offices of Ariana Afghan Airlines in their territories;</i></p> <p><i>(c) To freeze without delay funds and other financial assets of Usama bin Laden and individuals and entities associated with him as designated by the Committee, including those in the Al-Qaida organization, and including funds derived or generated from property owned or controlled directly or indirectly by Usama bin Laden and individuals and entities associated with him, and to ensure that neither they nor any other funds or financial resources are made available, by their nationals or by any persons within their territory, directly or indirectly for the benefit of Usama bin Laden, his associates or any entities owned or controlled, directly or indirectly, by Usama bin Laden or individuals and entities associated with him including the Al-Qaida organization and requests the Committee to maintain an updated list, based on information provided by States and regional organizations, of the individuals and entities designated as being associated with Usama bin Laden, including those in the Al-Qaida organization;</i></p>	<p>Afghanistan.</p> <p>(b) There was no office of Ariana Afghan Airlines in Israel at the time of the resolution.</p> <p>(C) Regulation 84 (1)(b) of the Defense Regulation (State of Emergency), 1945. -The legal effect of this declaration is detailed in UN document S/2001/1312 in paragraphs 1(b)3 and 1(c)2.</p> <p>Prevention of Terrorism Ordinance, 1948- The provisions and their applications are detailed in UN Document S/2001/1312 in paragraphs 1(b)1 and 1(c)1.</p>
<p>subparagraphs “a” and “b” of paragraph 10</p>	<p>Paragraph 10 has no subparagraphs.</p> <p>See comments to paragraph 5 below.</p> <p>Trading with the enemy Ordinance, 1939</p>
<p>subparagraphs “a” and “b” of paragraph 11</p>	<p>Paragraph 11 have no subparagraphs</p> <p>Israel does not permit any aircraft to take off from, land in or overfly the Israeli territory to the aircraft that took off or is destined to land at a place in the</p>

	Afghanistan.
subparagraphs “a” and “b” of paragraph 14	<p>Paragraph 14 has no subparagraphs.</p> <p>Sec. 114 to the Penal Law, 1977, prohibits the contact with foreign agent.</p> <p>Sec. 18 and 5 to Appendix to the Extension of validity of the Emergency Ordinances (Traveling abroad), 1948</p> <p>Sec. 2A to the Penetration Prevention Law (Offences and Jurisdiction), 1948</p>

Resolution 1363 (2001)

Provisions of the Resolution 1363 (2001)	legislative acts and regulations that cover requirements of the Resolution 1363 (2001)
<p><u>paragraph 8</u> <i>Urges all States to take immediate steps to enforce and strengthen through legislative enactments or administrative measures, where appropriate, the measures imposed under their domestic laws or regulations against their nationals and other individuals or entities operating on their territory, to prevent and punish violations of the measures imposed by resolutions 1267 (1999) and 1333 (2000), and to inform the Committee established pursuant to resolution 1267 (1999) of the adoption of such measures, and invites States to report the results of all related investigations or enforcement actions to the Committee unless to do so would compromise the investigation or enforcement action;</i></p>	<p>Israel provided information to the committee in the following UN Documents: S/2001/1312 S/2002/871 S/AC.37/2003/(1455)/61</p>

Resolution 1373 (2001)

Provisions of the Resolution 1373 (2001)	legislative acts and regulations that cover requirements of the Resolution 1373 (2001)
<p><u>subparagraphs “a”, “b” and “c” of paragraph 1</u></p> <p>(a) Prevent and suppress the financing of terrorist acts;</p> <p>(b) Criminalize the wilful provision or collection, by any means, directly or indirectly, of funds by their nationals or in their territories with the intention that the funds should be used, or in the knowledge that they are to be used, in order to carry out terrorist acts;</p> <p>(c) Freeze without delay funds and other financial assets or economic resources of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities owned or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds derived or generated from property owned or controlled directly or indirectly by such persons and associated persons and entities;</p>	<ul style="list-style-type: none"> • <i>Cabinet Decision 815</i> (21 October 2001) • sections 4(d), 4(e), and 4(f) of the <i>Prevention of Terrorism Ordinance</i> (1948) • section 148 of the <i>Penal Law</i> (1977) • <i>Defence Regulations (State of Emergency)</i> (1945). • <i>Criminal Procedure Ordinance (Search and Seizure) [New Version]</i> (1969) • <i>Prohibition of Money Laundering Law</i> (2000) • Terrorist Financing Law, (2005) <p>Detailed information can be found in Israel's reports to the Council Committee established pursuant to resolution 1373 (2001) Dated 31 December 2001 (S/2001/1312) and 1 August 2002 (S/2002/871)</p>
<p><u>Paragraph 2</u></p> <p>... Decides also that all States shall:</p> <p>(a) Refrain from providing any form of support, active or passive, to entities or persons involved in terrorist acts, including by suppressing recruitment of members of terrorist groups and eliminating the supply of weapons to terrorists;</p> <p>(b) Take the necessary steps to prevent the commission of terrorist acts, including by provision of early warning to other States by exchange of information;</p> <p>(c) Deny safe haven to those who finance, plan, support, or commit terrorist acts, or provide safe havens;</p> <p>(d) Prevent those who finance, plan, facilitate or commit terrorist acts from using their respective territories for those purposes against other States or their citizens;</p>	<ul style="list-style-type: none"> • Regulation 85(1)(i) of the <i>Defence Regulations (State of Emergency)</i> (1945), • Section 2 and 4 of the <i>Prevention of Terrorism Ordinance</i> (1948) • <i>Firearms Law</i> (1949). • Regulation 59 of the <i>Defence Regulations (State of Emergency)</i> (1945) • <i>Extradition Law</i> (1954) • <i>Prohibition on Money Laundering Law</i> (2000) • Prevention of Terrorism Ordinance (1948) • Defence Regulations (State of Emergency) (1945) • Penal Law (1977) • The Export Control Law (2007) <p>Detailed information can be found in Israel's reports to the Council Committee established pursuant to</p>

<p><i>(e) Ensure that any person who participates in the financing, planning, preparation or perpetration of terrorist acts or in supporting terrorist acts is brought to justice and ensure that, in addition to any other measures against them, such terrorist acts are established as serious criminal offences in domestic laws and regulations and that the punishment duly reflects the seriousness of such terrorist acts;</i></p> <p><i>(f) Afford one another the greatest measure of assistance in connection with criminal investigations or criminal proceedings relating to the financing or support of terrorist acts, including assistance in obtaining evidence in their possession necessary for the proceedings;</i></p> <p><i>(g) Prevent the movement of terrorists or terrorist groups by effective border controls and controls on issuance of identity papers and travel documents, and through measures for preventing counterfeiting, forgery or fraudulent use of identity papers and travel documents;</i></p>	<p>resolution 1373 (2001) Dated 31 December 2001 (S/2001/1312) and 1 August 2002 (S/2002/871)</p>
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Resolution 1390 (2002)

<p>Provisions of the Resolution 1390 (2002)</p>	<p>legislative acts and regulations that cover requirements of the Resolution 1390 (2002)</p>
<p><u>subparagraphs “a”, “b” and “c” of paragraph 2</u></p> <p><i>2. Decides that all States shall take the following measures with respect to Usama bin Laden, members of the Al-Qaida organization and the Taliban and other individuals, groups, undertakings and entities associated with them, as referred to in the list created pursuant to resolutions 1267 (1999) and 1333 (2000) to be updated regularly by the Committee established pursuant to resolution 1267 (1999) hereinafter referred to as “the Committee”;</i></p> <p><i>(a) Freeze without delay the funds and other financial assets or economic resources of these individuals, groups, undertakings and entities, including funds derived from property owned or controlled, directly or indirectly, by them or by persons acting on their behalf or at their direction,</i></p>	<p>The above mentioned legislation regarding funding of terrorism and export control.</p> <p>The consolidated list which contains the names of known Taliban and Al Qaida officials are included in the list of individuals who may not receive a visa to Israel, or enter Israeli territory. The border control authorities are notified as the list is updated. Were an individual in such lists to request a visa from an Israeli representation abroad, or to arrive to a port of entry to Israel, their request would be denied.</p>

<p><i>and ensure that neither these nor any other funds, financial assets or economic resources are made available, directly or indirectly, for such persons' benefit, by their nationals or by any persons within their territory;</i></p> <p><i>(b) Prevent the entry into or the transit through their territories of these individuals, provided that nothing in this paragraph shall oblige any State to deny entry into or require the departure from its territories of its own nationals and this paragraph shall not apply where entry or transit is necessary for the fulfilment of a judicial process or the Committee determines on a case by case basis only that entry or transit is justified;</i></p> <p><i>(c) Prevent the direct or indirect supply, sale and transfer territories, to these individuals, groups, undertakings and entities from their territories or by their nationals outside their territories, or using their flag vessels or aircraft, of arms and related materiel of all types including weapons and ammunition, military vehicles and equipment, paramilitary equipment, and spare parts for the aforementioned and technical advice, assistance, or training related to military activities;</i></p>	
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Resolution 1455 (2003)

Provisions of the Resolution 1455 (2003)	legislative acts and regulations that cover requirements of the Resolution 1455 (2003)
<p><u>paragraph 1</u> <i>1. Decides to improve the implementation of the measures imposed by paragraph 4 (b) of resolution 1267 (1999), paragraph 8 (c) of resolution 1333 (2000) and paragraphs 1 and 2 of resolution 1390 (2002);</i></p>	<p>The above mentioned legislation. Detailed information can be found in:</p> <p>1) Israel's letter to the chairman of the committee- S/AC.37/2003/(1455)/61</p> <p>2) the report of the Government of Israel prepared in response to the preliminary questions/comments posed by the Counter-Terrorism Committee - S/2002/871</p>
<p><u>paragraph 5</u> <i>5. Calls upon all States to continue to take urgent steps to enforce and strengthen through legislative enactments or administrative measures, where appropriate, the measures imposed under domestic laws or regulations against their nationals and other individuals or entities operating in their territory, to prevent and punish violations of the measures referred to in paragraph 1 of this resolution, and to</i></p>	

<p><i>inform the Committee of the adoption of such measures, and invites States to report the results of all related investigations or enforcement actions to the Committee ,unless to do so would compromise the investigation or enforcement actions;</i></p>	<p>3) The initial report that was requested by the Counter-Terrorism Committee from the Government of the State of Israel-S/2003/968</p>
<p><u>paragraph 6</u> <i>6. Calls upon all States to submit an updated report to the Committee no later than 90 days from adoption of this resolution on all steps taken to implement the measures referred to in paragraph 1 above and all related investigations and enforcement actions, including a comprehensive summary of frozen assets of listed individuals and entities within Member State territories, unless to do so would compromise investigations or enforcement actions;</i></p>	

Resolution 1526 (2004)

<p>Provisions of the Resolution 1526 (2004)</p>	<p>legislative acts and regulations that cover requirements of the Resolution 1526 (2004)</p>
<p><u>paragraph 4</u> <i>4. Calls upon States to move vigorously and decisively to cut the flows of funds and other financial assets and economic resources to individuals and entities associated with the Al-Qaida organization, Usama bin Laden and/or the Taliban, taking into account, as appropriate, international codes and standards for combating the financing of terrorism, including those designed to prevent the abuse of nonprofit organizations and informal/alternative remittance systems;</i></p>	<p>The above mentioned legislation which was complementary by <i>The Prohibition on Terrorist Financing Law (2005)</i>.</p> <p>The Israel Security Agency works in cooperation with the Israel Police, the Israel Customs and VAT Authority and the Israel Money Laundering and Terror Financing Prohibition Authority.</p> <p>Detailed information can be found in Israel's report to the supplementary questionnaire in the aforementioned letter S/2006/183</p>
<p><u>paragraph 5</u> <i>5. Urges all States and encourages regional organizations, as appropriate, to establish internal reporting requirements and procedures on the trans-border movement of currency based on applicable thresholds;</i></p>	
<p><u>Paragraph 17</u> <i>17. Calls upon all States, when submitting new names to the Committee's list, to include identifying information and background information, to the greatest extent possible, that demonstrates the individual(s)' and/or entity(ies)' association with Usama bin Laden or with members of the Al-Qaida organization and/or the Taliban, in line with the Committee's guidelines;</i></p>	
<p><u>paragraph 22</u></p>	

<p><i>22. Requests all States that have not yet done so to submit to the Committee by 31 March 2004 the updated reports called for under paragraph 6 of resolution 1455 (2003), following as closely as possible the guidance document previously provided by the Committee; and further requests that all States that have not5 S/RES/1526 (2004) submitted these reports to explain in writing to the Committee by 31 March 2004 their reasons for non-reporting;</i></p>	
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International agreements signed by Israel

On mutual legal assistance and legal relations

Bilateral Agreements regarding Mutual Assistance and Cooperation in Customs Matters (both civil and criminal) with various States, Treaties for the prevention of double income taxation with various States, Bilateral Agreements (Memorandum of Understanding) with various States regarding mutual civil, criminal and administrative assistance in securities matters (please find list below).

Mutual Legal Assistance Treaties:

1. EUROPEAN CONVENTION ON MUTUAL ASSISTANCE IN CRIMINAL MATTERS OF THE COUNCIL OF EUROPE.
2. TREATY BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT AUSTRALIA ON MUTUAL LEGAL ASSISTANCE IN CRIMINAL MATTERS,
3. TREATY BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE STATE OF ISRAEL ON MUTUAL ASSISTANCE IN CRIMINAL MATTERS,
4. TREATY BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF CANMADA ON MUTUAL ASSISTANCE IN CRIMINAL MATTERS
5. AGREEMENT BETWEEN THE GOVERNMENT OF ISRAEL AND THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA CONCERNING MUTUAL LEGAL ASSISTANTS IN CRIMINAL MATTERS

<u>LEGAL MATTERS</u>		
Agreement	Date of effect	With state
CONVENTION REGARDING LEGAL ASSISTANCE IN CRIMINAL MATTERS BETWEEN ISRAEL AND AUSTRIA	25/09/1968	Austria
AGREEMENT TO SUPPLEMENT THE EUROPEAN CONVENTION ON MUTUAL ASSISTANCE IN CRIMINAL MATTERS OF 20 APRIL 1959 AND TO FACILITATE ITS APPLICATION	20/05/1982	Austria
TREATY ON MUTUAL ASSISTANCE IN CRIMINAL MATTERS	16/03/2000	Canada
Treaty between the government of the state of Israel and the government of Australia on mutual legal assistance in criminal matters	23/09/1995	Australia
TREATY BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA ON MUTUAL ASSISTANCE IN CRIMINAL MATTERS	25/05/1999	United States of America

AGREEMENT BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE HONG-KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA CONCERNING MUTUAL LEGAL ASSISTANCE IN CRIMINAL MATTERS	28/12/2006	Hong Kong
CONVENTION REGARDING LEGAL PROCEEDINGS IN CIVIL AND COMMERCIAL MATTERS BETWEEN THE STATE OF ISRAEL AND THE UNITED KINGDOM OF GREAT BRITAIN	16/11/1967	UNITED KINGDOM
Exchange of Notes constituting an Agreement concerning reciprocal judicial aid in serving judicial documents relating to civil cases	02/08/1969	Japan

LEGAL MATTERS - Multilateral

Convention	Ratification	Date of effect
EUROPEAN CONVENTION ON MUTUAL ASSISTANCE IN CRIMINAL MATTERS NO 30- COUNCIL OF EUROPE	20/04/1959	26/12/1967
SECOND ADDITIONAL PROTOCOL TO THE EUROPEAN CONVENTION ON MUTUAL ASSISTANCE IN CRIMINAL MATTERS NO 99 - COUNCIL OF EUROPE	18/01/2002	
CONVENTION ON THE PREVENTION AND PUNISHMENT OF CRIMES AGAINST PROTECTED PERSONS AND DIPLOMATIC AGENTS. NY 14/12/197	14/12/1973	30/08/1980

On extradition

1. ISRAEL-UNION OF SOUTH AFRICA: EXTRADITION TREATY (1960)
2. ISRAEL-UNITED STATES OF AMERICA: EXTRADITION TREATY ADD PROTOCOL AMENDING THE TREATY.
3. EUROPEAN CONVENTION ON EXTRADITION OF THE COUNCIL OF EUROPE.
4. ISRAEL-CANDA EXTRADITION AGREEMENT
5. ISRAEL-SWAZILAND: AGREEMENT ON EXTRADITION
6. ISRAEL-AUSTRALIA: TREATY CONCERNING EXTRADITION
7. ISRAEL-FIJI THE AGREEMENT FOR THE RECIPROCAL EXTRADITION OF CRIMINALS

Bilateral – On Extradition

Agreement	Date of effect	With state

CONVENTION OF EXTRADITION	05/12/1963	United States of America
PROTOCOL BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE UNITED STATES AMENDING THE CONVENTION ON EXTRADITION SIGNED AT WASHINGTON D.C. ON DECEMBER 10,1962	10/01/2007	United States of America
EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT TO THE EXTRADITION AGREEMENT	19/12/1969	Canada
EXCHANGE OF NOTES BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF FIJI CONSTITUTING AN AGREEMENT ON EXTRADITION	23/11/1972	Fiji
EXCHANGE OF NOTES BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF FIJI ON THE AMENDMENTS TO THE EXTRADITION TREATY	29/09/1981	Fiji
EXCHANGE OF LETTERS CONSTITUTING AN AGREEMENT BETWEEN ISRAEL AND UNITED KINGDOM CONCERNING EUROPEAN CONVENTION ON EXTRADITION (1957) AND ITS APPLICATION TO TERRITORIES FOR WHOSE INTERNATIONAL RELATIONS THE UNITED KINGDOM IS RESPONSIBLE	14/02/1996	UNITED KINGDOM
Treaty between the State of Israel and the Government of Australia concerning Extradition	03/01/1976	Australia
EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT ON EXTRADITION BETWEEN ISRAEL AND SWAZILAND	24/07/1970	Swaziland

<u>Multilateral – On Extradition</u>		
Convention	Ratification	Date of effect
EUROPEAN CONVENTION ON EXTRADITION-COUNCIL OF EUROPE	13/12/1957	26/12/1967

On cooperation in combating organized crime, international terrorism and other especially dangerous crimes

U.N. Convention Against Transnational Organized Crime (UNTOC), U.N. Convention against Corruption (UNCAC) – [it should be noted that in the opinion of the UNOCD, UNCAC helps combat organized crime related corruption in addition to other corruption episodes], U.N. Convention against Illicit Traffic in

Narcotic Drugs and Psychotropic Substances, U.N. Convention for Suppression of Unlawful Acts against the Safety of Civil Aviation, U.N. Convention for the Suppression of Terrorist Bombings, U.N. Convention for the Suppression of the Financing of Terror, World Health Organization Framework Convention for Tobacco Control

<u>ON CRIME - Bilateral</u>		
Agreement	Date of effect	With state
AGREEMENT BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE REPUBLIC OF BELARUS ON COOPERATION IN COMBATING CRIME	12/08/1997	Belarus
AGREEMENT ON COOPERATION IN COMBATING ILLICIT TRAFFICKING AND ABUSE OF NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES, TERRORISM AND OTHRE SERIOUS CRIMES, BETWEEN THE STATE OF ISRAEL AND THE REPUBLIC OF TURKEY	04/10/1995	Turkey
AGREEMENT BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE REPUBLIC OF CYPRUS ON COOPERATION IN COMBATting ILLICIT TRAFFICKING & ABUSE OF NARCOTIC DRUGS & PSYCHOTROPIC SUBSTANCES AND TERRORISM AND OTHER SERIOUS CRIMES	16/06/1996	Cyprus
AGREEMENT ON COOPERATION IN THE FIELD OF CRIME PREVENTION AND LAW ENFORCEMENT BETWEEN THE GOVERNMENT OF ISRAEL AND THE GOVERNMENT OF UKRAINE	23/02/1995	Ukraine
AGREEMENT ON COOPERATION IN COMBATING CRIME BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE RUSSIAN FEDERATION	01/12/1997	Russian Federation
AGREEMENT BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE REPUBLIC OF LATVIA ON COOPERATION IN COMBATING ILLICIT TRAFFICKING AND ABUSE OF NARCOTIC DRUGS, PSYCHOTROPIC SUBSTANCES AND PRECURSORS, TERRORISM AND OTHER SERIOUS CRIMES	29/12/1998	Latvia
Agreement on cooperation in combating illicit trafficking and abuse of narcotic drugs and psychotropic substances and other serious crimes between the Government of the State of Israel and the Government of Romania	08/04/2002	Romania

AGREEMENT ON COOPERATION IN COMBATING ILLICIT TRAFFICKING AND ABUSE OF NARCOTIC DRUGS, PSYCHOTROPIC SUBSTANCES AND OTHER SERIOUS CRIMES BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE REPUBLIC OF PANAMA	25/04/2002	Panama
AGREEMENT ON COOPERATION IN COMBATting ILLICIT TRAFFICKING AND ABUSE OF NARCOTIC DRUGS, PSYCHOTROPIC SUBSTANCES AND OTHER SERIOUS CRIMES BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE REPUBLIC OF MOLDOVA	14/01/2004	Moldova
M.O.U ON COOPERATION IN THE FIGHT AGAINST DRUGS	28/11/1991	United States of America
AGREEMENT ON COOPERATION IN COMBATING ILLICIT TRAFFICKING AND ABUSE OF NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES, TERRORISM AND OTHER SERIOUS CRIMES, BETWEEN THE STATE OF ISRAEL AND THE REPUBLIC OF TURKEY	10/04/1995	Turkey
AGREEMENT BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE REPUBLIC OF BULGARIA ON COOPERATION IN COMBATING ILLICIT TRAFFICKING AND ABUSE OF NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES AND OTHER SERIOUS CRIMES	30/04/2012	BULGARIA
Agreement between Israel and Mexico on Cooperation in combatting illicit trafficking and abuse of narcotic drugs and psychotropic substances and other serious crimes	10/07/1997	MEXICO
AGREEMENT BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE ITALIAN REPUBLIC ON COOPERATION IN COMBATING ILLICIT TRAFFICKING OF NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES TERRORISM AND OTHER SERIOUS CRIMES	15/02/2007	ITALY
AGREEMENT ON COOPERATION IN COMBATING CRIME AND ILLICIT DRUGS BETWEEN THE GOVERNMENT OF ISRAEL AND THE GOVERNMENT OF THE HASHEMITE KINGDOM OF JORDAN	20/03/1996	JORDAN
AGREEMENT ON COOPERATION IN COMBATING ILLICIT TRAFFICKING AND ABUSE OF NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES AND TERRORISM AND OTHER SERIOUS CRIMES	01/08/1997	HUNGARY
AGREEMENT ON COOPERATION IN COMBATING ILLICIT TRAFFICKING AND ABUSE OF NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES	01/08/2005	INDIA

<u>ON CRIME- Multilateral</u>		
Agreement	Ratification	Date of effect
INTERNATIONAL CONVENTION FOR THE SUPPRESSION OF TERRORIST BOMBINGS- UN	15/12/1997	12/03/2003
CONVENTION AGAINST TRANSNATIONAL ORGANIZED CRIME-UN	15/11/2000	26/01/2007
CONVENTION AGAINST ILLICIT TRAFFIC IN NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES 2) FINAL ACT OF THE CONFERENCE - UN	20/12/1988	18/06/2002
CONVENTION ON PSYCHOTROPIC SUBSTANCES - UN	21/02/1971	10/06/1993
Agreement	Date of effect	With state
Treaty on Cooperation in the Execution of Penal Sentences between the Government of the State of Israel and the Government of The Kingdom of Thailand	11/06/1998	Thailand
AGREEMENT BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA REGARDING THE SURRENDER OF PERSONS TO THE INTERNATIONAL CRIMINAL COURT	27/11/2003	United States of America

OTHER RELEVANT INTERNATIONAL AGREEMENTS

Customs

Currently Israel has 28 Customs Cooperation Agreements in force and several others that are awaiting ratification. These agreements include the European Union, EFTA and Mercosur. Therefore, they cover about 50 countries.

The assistance provided for in these agreements includes, carrying out investigations for the other party, supplying information on individual shipments between the parties, as well as exchanging information on professional and technical matters.

In addition, where possible, there are provisions for controlled delivery. These provisions provide for the possibility of coming to financial arrangements between the sides where controlled delivery is agreed upon.

A few of the agreements contain provisions for the freezing of assets.

The agreements are limited to assistance for the purpose of the proper implementation of customs law and, in general, are not to be used for other purposes. Each agreement has provisions dealing with confidentiality and the use of information received by the requesting side and all assistance is provided in accordance with the domestic law of the party that provided it.

ISA

The ISA is a full signatory of the IOSCO Multilateral Memorandum of Understanding ("MMOU"), which enables information sharing to facilitate detection, deterrence, licensing and surveillance. Under the MMOU, the ISA exchanges information with foreign counterparts on a regular basis.

In addition to the IOSCO MMOU, the ISA has signed 19 Memorandums of Understanding with foreign securities regulators concerning cooperation, exchange of information and surveillance of securities activities. These include:

MoU with the China Securities Regulatory Commission, 2011

MoU with the Board of India, 2007

MoU with the National Securities Commission of Argentina, 2007

MoU with the Securities and Exchange Commission, Thailand, 2006

Protocol with the United States Commodity Futures Trading Commission, 2006

MoU with the Autorite Des Marches Financiers, France, 2006

MoU with the Hong Kong Securities and Futures Commission, 2006

MoU with the Securities Commission of Brazil, 2006

MoU with the Capital Markets Board ("CMB"), Turkey, 2006

MoU with the Commission de Surveillance du Secteur Financier, Luxembourg ("CSSF"), 2006

MoU with the Portuguese Securities Market Commission ("CMVM"), 2005

MoU with the New Zealand Securities Commission ("NZSC"), 2005

MoU with the South African Financial Services Board ("FSB"), 2005

MoU with the Cyprus Securities and Exchange Commission ("CySEC"), 2005

MoU with the Australian Securities & Investments Commission (ASIC), 2005

MoU with the Hellenic Capital Market Commission ("HCMC"), 2005

MoU with the Netherlands Authority for the Financial Markets ("AFM"), 2005

MoU between the United States of America Securities and Exchange Commission and the government of the State of Israel and Israel Securities Authority, 1996.

For further information, please see:

<http://www.isa.gov.il/Default.aspx?Site=ENGLISH&ID=1488,2820>

<http://www.isa.gov.il/Default.aspx?Site=ENGLISH&ID=1488,2864>

Inter-agency agreements signed by Law Enforcement

- A memorandum of understanding was signed on July 2012 between the supervisor of banks, the head of ISA, the commissioner of CMISD, the registrar of MSB's, the supervisor of the postal bank, the tax authority and the head of IMPA. The Memorandum of Understandings is intended to create a framework for collaboration between the various bodies charged with responsibility for the regulatory regime in Israel concerning the prohibition of money laundering and financing of terrorism. The purpose of the Memorandum is the hope of promotion of efficient and coordinated supervision, in so far as is possible, by the Regulatory Bodies of the Financial Institutions or other entities under their authority, as the case may be, of aspects of the PMLL, the PTFI, and the Orders issued pursuant to them, with the object of fighting the phenomenon of money laundering and financing of terrorism, in the State of Israel.
- A memorandum of understanding dated June 24, 2007, that intended to create a framework for cooperation and information exchange between the supervisors of the financial markets in Israel – the Supervisor of Banks, the Securities Authority and the Commissioner of the Capital Market, Insurance and Savings. The purpose of the MOUs is to promote effective, fair, uniform and coordinated supervision in order to enhance the stability, transparency and fairness of the financial markets in Israel, and to promote the development and competitiveness of these markets, all this with the aim of boosting the confidence of the investors in those markets. The supervisors act within the framework of the MOUs in order to promote the application of accepted international supervisory standards and best practices to the financial markets in Israel.
- An Interagency Coordination Committee was established by the Government of Israel. The Committee is responsible for the domestic coordination between the different authorities, including: National Police, IDF, Customs, Ministry of Finance, Ministry of Foreign Affairs and Ministry of Justice Money Laundering and Terror Financing Prevention Authority, in the war against terrorism financing. One of the Committee main roles is to improve international cooperation in the field of terrorist financing, in order to enhance and improve the global efforts against the financial infrastructures of terrorist organizations. An ongoing cooperation takes place between intelligence, security and law-enforcement authorities and their counter-parts in various states in the world, including mutual exchange of information, methods and ideas. The Committee reports annually to the Prime Minister and Cabinet.

- A procedure for the operation of the "Integrated Intelligence Centre" that was established on March, 5, 2007, in order to combat severe crime, organized crime and its outcomes, in accordance with the previously reported government decision on: "The Battle against Severe Crime and Organized Crime and their Outcomes" dated January 2006. The Intelligence Centre procedure determines the operation of the centre and of the different intelligence bodies that integrate in the centre, including the Police, the Tax Authority and the Money Laundering Prohibition Authority as well as impermanent representatives from other relevant bodies.

MoUs signed by IMPA

	List of MoUs signed by IMPA	Date
1.	Australia	January 2002
2.	Albania	July 2011
3.	Aruba	July 2006
4.	Argentina	March 2009
5.	Armenia	November 2011
6.	Bermuda	June 2010
7.	Belgium	July 2002
8.	Curacao	July 2013
9.	Canada	June 2005
10.	Cyprus	June 2002
11.	Croatia	November 2002
12.	Denmark	October 2004
13.	Estonia	July 2003
14.	Fiji	February 2013
15.	Finland	February 2005
16.	Georgia	November 2004
17.	India	July 2011
18.	Japan	January 2013
19.	Netherland	July 2013
20.	Luxemburg	June 2005
21.	Moldova	October 2010

22.	Montenegro	October 2010
23.	Monaco	July 2013
24.	Macedonia	December 2011
25.	Mexico	June 2006
26.	Paraguay	May 2007
27.	Poland	January 2003
28.	Portugal	February 2004
29.	Panama	June 2005
30.	Peru	June 2005 (resigned on July 2013)
31.	Romania	November 2002 (resigned on May 2007)
32.	Russian Federation	June 2005
33.	South Africa	June 2005
34.	Slovenia	June 2004
35.	San Marino	November 2005
36.	St. Kitts-Nevis	July 2013
37.	Serbia	October 2010
38.	Taiwan	June 2010
39.	United Kingdom	December 2003
40.	Ukraine	January 2012
41.	United States of America	July 2011

Examples of training provided to IMPA staff

- An employee of the collection department attended the third Amnet convention in 2010. The convention dealt with preventing money laundering involving PEPs and Public corruption.
- All the employees of the collection department attended training sessions (called: "Know your colleague") for representatives from IMPA, police, D.A. office, and the Tax authority, that took place for 5 days in 2010-11. The main purpose was to improve the cooperation between the authorities that deals with Money laundering and financial crimes.
- Training sessions called "Integrated Financial Enforcement", for representatives from IMPA, police, D.A. office, supervisors and customs authority. Each training session that took place during 2012 lasts 5 days long.
- An employee of the collection department attended in 2009 a one day seminar about terror financing in fellowship.
- The Institute of Legal Training for Attorneys & Legal Advisers organized in 2012, a one day seminar for the tenth anniversary of IMPA. Additional one day seminars are being held each year on relevant issues (e.g: administrative enforcement, confiscation of proceeds of crime, financial enforcement, security issues and the financing on terrorism). Several employees of IMPA attended and lectures at these seminars.
- Monthly lecture - once a month, all IMPA's employees assemble to hear a lecture on general or specific ML/FT issues. (e.g: confiscation and forfeiture, the Stock Exchange AML order, the review of the 40 FATF recommendations, etc.) These lectures are given by IMPA's employees and external experts.
- Training sessions (called: "shiluv yadaim" means: "Holding Hands Together") for representatives from IMPA, police, D.A. office, supervisors and customs authority took place for 3 days in 2008. The main purpose was to improve the cooperation between the authorities that deals with ML and TF.
- The participants were divided to groups in order to discuss on different issues such as: Exchange of information, forfeiture, terror financing, cooperation in investigations, investigation material and privilege, the reporting obligation of the financial entities etc.
- The head of Information Technology & Communication attended 45 hours Advanced Information Security training course and another 45 hours for high-end technology development, including agile methodology.
- The R&D teams have attended a 45 hours of MVC development course.
- Several key personnel in the R&D team have trained in Oracle's seminars. System support personnel have attended Microsoft's integration server and Virtualization training
- August 2008: One employee of the research and analysis department participated in a 1.5 half hour lecture given by the Israeli Police on internet gambling.
- August 2008: One employee of the research and analysis department participated in a half day lectures provided by the tax authorities on tax related ML activity.
- October - November 2008: Two employees of the research and analysis department participated in a five week task forces training course. The course was conducted by the Israeli police with participation from representatives from different law enforcement bodies (Police, Tax Authority, Israeli Money laundering and Terror Financing Prohibition Authority, Public prosecution). The course included lectures on the different aspects and tools needed for the fight against money laundering (Legal, Tax, regulatory, open source information, etc').
- November 2008: One employee of the research department participated in a MONEYVAL typologies workshop held in Monaco on Money Laundering through Money Remitters and Currency Exchange Providers.

- March – April 2009: One employee of the research and analysis department received 13 hours training on different issues (international ML/TF standards, basic ML/TF concepts, collection and research work, typologies, information security, open source information).
- July 2009: Two lectures on typologies and ML verdict concerning a criminal organization to employees of the research department.
- September 2009: one employees of the research and analysis department participated in a one day seminar on ML issues.
- November 2009: One employee of the research department participated as a team member in a MONEYVAL typologies workshop held in Cyprus on The use of internet gambling for ML and TF purposes.
- November 2009: One employee of the research department participated as a team member in a MONEYVAL typologies workshop held in Cyprus on Money Laundering and Terrorist Financing Risks through Private Pension Funds and the Insurance Industry.
- December 2009: One employees of the research and analysis department participated in 2 hour lecture given by the Israeli police on cooperation between the police and IMPA.
- 2010 - 2011: 6 employees of the research department participated in a 5 day course on AML/CTF issues designed to cover basic AML/CFT issues and to provide knowledge and better understanding on the way relevant agencies operate ("know your colleague").
- 2010: One employee of the research and analysis department participated in 100 hours course on the subject of financial management.
- March 2010: One employee of the research and analysis department participated in a one day conference on human trafficking.
- March to April 2010 - Three employees of the research and analysis department participated in a money laundering course at the Tel-Aviv university. The course included 6 lessons on different ML issues (international standards, ML typologies, sanction committees, exchange of information, forfeiture, etc').
- May – June 2010: One employee of the research and analysis department participated in a five week task forces training course. The course was conducted by the Israeli police with participation from representatives from different law enforcement bodies (Police, Tax Authority, Israeli Money laundering and Terror Financing Prohibition Authority, Public prosecution). The course included lectures on the different aspects and tools needed for the fight against money laundering (Legal, Tax, regulatory, open source information, etc').
- November 2010: One employee of the research and analysis department participated in a one day conference on international law issues and the international aspects of criminal law.
- November 2010: One employee of the research and analysis department participated in a three hour conference to stock exchange members given by IMPA.
- November 2010 – Feb 2011: One employee of the research and analysis department participated in a 100 hours course on capital markets.
- 2011: One employee of the research and analysis department participated in 100 hours course on criminology.
- 2011: One employee of the research and analysis department participated in 100 hours computers course.
- January 2011: One employee of the research and analysis department participated in one say conference on compliance
- March – April, June 2011: One employee of the research and analysis department participated in a five week task forces training course. The course was conducted by the Israeli police with participation from representatives from different law enforcement bodies (Police, Tax Authority, Israeli Money laundering and Terror Financing Prohibition Authority, Public prosecution). The course included lectures on the different aspects and tools needed for the fight against money laundering (Legal, Tax, regulatory, open source information, etc').

- April – July 2011: One employee of the research and analysis department (the FIU's information manager) participated in course on information management in organization.
- November 2011 – one employee of the research and analysis department participated in a one week Money laundering / Asset Recovery Training Program given by the Basel Institute on Governance. The program included asset tracing exercises, financial investigative approaches, element of crime among other issues.
- 2012: one employees of the research and analysis department participated in 14 day course on information management.
- Jan 2012 – one employee of the research and analysis department participated in a one day conference on the issue of predictive analysis.
- Feb – Mar 2012: One employee of the research and analysis department participated in a five day course on data analysis.
- Apr – May 2012: One employee of the research and analysis department participated in a five day course on data management.
- Feb – March 2012: One employee from the research and analysis department participated in a three days TAIEX Seminar on Combating Financial Crime – Money Laundering and Asset Forfeiture.
- March 2012 – Two employees of the research and analysis department participated in a one day financial enforcement conference. The issues included ML legal issues, ML typologies and civil (financial) enforcement.
- July 2012 – Two employees of the research and analysis department participated in a one day conference on the topic of cyber-crime and digital currencies.
- July 2012 - One employee of the research and analysis department participated on a one day conference held in the Israeli parliament on the cultures of human trafficking victims.
- September – November 2012: One employee of the research and analysis department participated in 100 hours course on the capital market.
- October 2012 – Two employees of the research and analysis department participated in a one day conference on the subject of new payment methods technologies (electronic wallet and mobile phones).
- October 2012 – Five employees of the research and analysis department participated in a one day conference on current ML issues in view of a decade to the establishment of IMPA.
- October 2012 – one employee of the research department participated in a two day meeting in Warsaw, Poland a team member of MONEYYVAL typologies project on Trade Based Money Laundering.
- October 2012 - The head of the collection department, attended OECD Workshop on Regulatory Enforcement and inspections.
- Nov 2012 – all employees of the research department participated in a one day conference on current AML issues in light of a decade to the establishment of IMPA.

Directive 307

Supervisor of Banks: Proper Conduct of Banking Business (12/11) [1]

Internal Audit Function

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Internal Audit Function

A. General Remarks

Introduction

1. This Directive concerns the internal audit function, which is crucial for the maintenance of sound corporate governance at a bank. The Directive is based on a Basel document published in August 2001 concerning Internal Audit in Banks. The purpose of this Directive is to apply the general principles set forth in the Basel document in regard to internal auditing. The Directive also includes local legislative and regulatory provisions.
2. To allow the internal audit function to perform its duties appropriately, a bank must uphold the following principles:
 - (a) The board of directors has the ultimate responsibility of ensuring that senior management establishes and maintains an adequate and effective system of internal controls, a measurement system for assessing the various risks of banking corporations' activities, a system for relating risks to the banking corporations' capital level, and appropriate methods for monitoring compliance with laws, regulations, and supervisory and internal policies. At least once a year, the board of directors should review the internal control system and the capital assessment procedure.
 - (b) The bank's senior management is responsible for developing processes that identify, measure, monitor, and control risks incurred by the bank. At least once a year, senior management should report to the board of directors about the scope and performance of the internal control system and the capital assessment procedure.
 - (c) Internal auditing is part of the ongoing monitoring of the bank's system of internal controls and its internal capital assessment procedure; this is because the internal audit function provides an independent assessment of the adequacy of, and compliance with, the bank's policies and procedures. As such, the internal audit function assists management and the board of directors in the efficient and effective discharge of their aforementioned responsibilities.
 - (d) Each bank must have a permanent internal audit function. In fulfilling its duties and responsibilities, senior management should take all necessary measures so that the banking corporation can continuously rely on an adequate internal audit function appropriate to the its size and the nature of its operations. These measures include providing the internal audit function with appropriate resources and staffing to attain its objectives.
 - (e) The bank's internal audit function shall be independent of audited activities and of everyday internal control processes. This means that the internal audit function shall be given an appropriate standing within the bank and shall carry out its assignments objectively and impartially.

- (f) Each bank shall have an internal audit charter that defines the standing and powers of the internal audit function within the bank.
- (g) The internal audit function shall be objective and impartial, which means it shall be in a position to carry out its tasks free of bias and interference.
- (h) The proper functioning of the banking corporation’s internal audit function depends on the professional competence of the internal auditor and of each staff member of the internal audit function.
- (i) Every activity and every entity of the bank shall fall within the scope of the internal audit function.
- (j) Within the framework of the bank’s internal capital assessment process, internal audit function or some other independent function shall carry out regularly an independent review of the risk management system applied by the banking corporation in relating risk to its capital level and the methodology that has been established for monitoring compliance with internal capital policies
- (k) The work of the internal audit function includes drawing up an audit plan, examining and assessing available information, communicating the results, and following up recommendations and issues.
- (l) The internal auditor shall be responsible for ensuring that the function complies with sound internal auditing principles.
- (m) The board of directors and senior management shall remain ultimately responsible for ensuring that the system of internal control and the internal audit are adequate and operate effectively, even if internal auditing activities are outsourced.

Incidence

3. These provisions shall apply to all banks as defined in this Directive. The Supervisor of Banks may promulgate specific provisions different from those set forth below for application to specific banks.

Definitions

4.

“Banking corporation”	As defined in the Banking (Licensing) Law, 5741-1981, including a banking corporation that is a joint services company and an auxiliary corporation that is a credit card company;
“The Ordinance”	The Banking Ordinance, 1941;
“The Companies Law”	The Companies Law, 5759-1999;
“The Internal Audit Law”	The Internal Audit Law, 5752-1992;
“The internal auditor”	The head of the internal audit function of a banking corporation;
“Staff of the internal audit function”	Employees of the banking corporation who carry out internal audit assignments;
“Relative”	As defined in Section 1 of the Companies Law;
“Internal audit function”	An independent assessment function that carries out objective assurance activity that is meant to add value and improve banking corporation operations; The internal audit function helps the banking corporation to

attain its objectives by bringing in a systematic and disciplined approach in order to evaluate and improve the effectiveness of risk management processes and internal control systems, including controls of financial reporting, corporate governance, and, within this generality, compliance with the law, directives of the Supervisor of Banks, ethical probity, economy, and efficiency.

“Outsourcing of internal audit arrangement”

An agreement between the bank and an outsourcee for the provision of internal audit services;

“External auditor”

As defined in Proper Conduct of Banking Business Directive 302, “External Auditor of a Banking corporation” (hereinafter, “Directive 302”).

B. Key features/Characteristics of the Function

Permanent function—continuity

5. (a) A banking corporation must have a permanent internal audit function.
 - (b) Senior management shall take all necessary measures so that the bank can continuously rely on an adequate internal audit function appropriate to its size and to the nature of its operations.
 - (c) These measures include providing the internal audit function with resources and staffing that are appropriate to the attainment of its objectives.
6. Senior management shall ensure that the internal audit function is kept fully informed of new developments, initiatives, products, and operational changes to ensure that all associated risks are identified at an early stage.

Independent function

7. The internal audit function shall be independent of the activities audited and of everyday internal control processes.

Standing of the function

8. Internal audit shall be given an appropriate standing within the bank:
 - (a) The internal audit function must be able to exercise its assignments at its own initiative in all departments, establishments, and functions of the banking corporation.
 - (b) The internal audit function must be free to report its findings and appraisals and to disclose them internally.
9. The internal audit function shall be directly subordinate to the chair of the board of directors in accordance with the corporate governance framework, as set forth in Section 36(b)(1) of Proper Conduct of Banking Business Directive 301, “Board of Directors” (hereinafter: “Directive 301”).
 - (a) The internal auditor shall have the power to communicate directly, and on his/her own initiative, with the members of the audit committee, the chair of the board of directors, or the members of the board of directors, or the external auditor, where

appropriate, according to rules that each banking corporation shall define in its internal audit function charter.

- (b) The reporting noted in Section (a) above may cover, for example, information about management decisions that contravene legal or supervisory provisions.

Conflict of interest

10. The internal auditor and the internal audit staff shall not have a conflict of interest with the bank:

- (a) A person who is a principal or an officer of the bank, or is related to either of them, as well as the external auditor or any person acting on his/her behalf, shall not serve as an internal auditor or as a member of the internal audit staff. In this matter, "Officer"—as defined in Section 1 of the Companies Law.

- (b) Neither an internal auditor nor staff of the internal audit function may hold a post outside the bank in which they operate that creates or may create a conflict of interest with their duties in the internal audit function.

Staff of the internal audit function

11. (a) No person shall be appointed to the internal audit function except with the consent of the internal auditor.

- (b) The staff of the internal audit function and those acting on behalf of the internal auditor for internal audit purposes shall take instructions in auditing affairs solely from the internal auditor or from a person acting on his/her behalf.

- (c) The service of a staff member of the internal audit function shall not be terminated except with the consent of the internal auditor.

12. Staff of the internal audit function shall hold no other position within the banking corporation, with the exception of public ombudsman or staff complaint officer, and even this only if said position does not impair the discharge of their principal duty as required.

13. The compensation scheme for internal auditors shall be consistent with the objectives of the internal audit function.

Review of the internal audit function.

14. At least every *five* years, the internal audit function shall be subject to independent review by an independent party that the audit committee shall determine.

Objective and impartial function

15. The internal audit function shall be objective and impartial.

16. The internal audit function shall avoid situations of conflict of interest. To this end:

- (a) Assignments of staff within the internal audit function shall be rotated periodically whenever practicable;

- (b) Internally recruited auditors shall not audit activities or functions that they performed within the last twelve months.

17. The internal audit function shall not be involved in regular activities or controls of the bank or in selecting or implementing internal control measures. However, the need for impartiality does not exclude the possibility that senior management may request from the internal audit function an opinion on specific matters related to the internal control principles to be complied with, as set forth in Section 24 below.

Professional competence

18. (a) The professional competence of the staff of the internal audit function and of the internal audit function as a whole is essential for the proper functioning of the function.
 (b) Knowledge, experience, and adequate competence for the examination of all areas in which the bank operates within the internal audit function deserve special attention.
19. (a) The professional competence, motivation, and continuing training of staff of the internal audit function are prerequisites for the effectiveness of the internal audit function.
 (b) All staff members of the internal audit function shall have sufficient up-to-date knowledge of auditing techniques and banking activities.
 (c) Professional competence shall be maintained through systematic continuing training of each member of the internal audit function staff.
20. The professional competence of internal audit function staff shall be appraised in consideration of the following:
 - (a) the nature of the role and ability of members of staff of the internal audit function:
 - 1) to collect information;
 - 2) to communicate orally and in writing with various players at the bank for the performance of auditing tasks;
 - 3) to identify and evaluate deviation from accepted standards;
 - 4) to identify existing or potential problems and expand audit procedures accordingly.
 - (b) the growing technical complexity of banks' activities; and
 - (c) the growing diversity of tasks that need to be undertaken by the internal audit function as a result of developments in the financial sector.

C. Duties of the Function

Duties of the function

21. The internal audit function assists management and the board of directors in the efficient and effective discharge of their responsibilities. The duties of the internal audit function shall include the following, *inter alia*:
 - (a) examination and evaluation of the adequacy and effectiveness of the internal control system and the way its responsibilities are discharged;
 - (b) review of the application and effectiveness of risk management procedures and risk assessment methodologies;
 - (c) review of the bank's compliance with policies and risk controls (both quantifiable and non-quantifiable), including implementation of board of directors policies, decisions, and guidelines on risk management and control;
 - (d) review of systems established to ensure compliance with legal and regulatory requirements, codes of conduct, and the implementation of policies and procedures;
 - (e) review and assessment of the reliability and continuity of the electronic information system and electronic banking services;
 - (f) review of the reliability (including integrity, accuracy, and completeness) and availability of management, accounting, and financial information, including reportage on the management of risk control and the information used to prepare the financial statements;
 - (g) review of the measures/means taken to safeguard banking corporation assets;
 - (h) review of the bank's system of capital assessment relative to estimation of risk, as stated in Sections 22 and 23;
 - (i) appraisal of the economy and efficiency of operations;

- (j) testing of both transactions and the functioning of specific internal control procedures;
- (k) review of the banking corporation's actions to ensure compliance with legal and regulatory requirements, with reference to the way the banking corporation is organized and managed as set forth in Section 14e(b) of the Banking Ordinance;
- (l) review of branches outside Israel and control to assure that the internal audit of the banking corporation's domestic or foreign subsidiaries is professionally adequate, unless the audit is performed by the internal auditor of the banking corporation itself;
- (m) assessment of the functioning of staff units;
- (n) carrying out of special investigations;
- (o) testing the reliability and timeliness of reporting to the Supervisor of Banks and other and other regulation authorities.
- (p) additional provisions concerning internal audit duties as specified in other Proper Conduct of Banking Business Directives (e.g., 204, 208, 211, 301, 316, 342, 354, 357, 411).

Internal audit duties in the internal capital adequacy assessment process

- 22. In the internal capital assessment adequacy process (ICAAP), the bank shall determine who is responsible for reviewing the capital adequacy assessment procedure. The review may be performed by the internal audit function or by another player that is sufficiently independent of the operations of the banking corporation.
- 23. The internal audit function, or another independent player, shall regularly perform an independent review of the risk management system that the banking corporation applies to its risk-capital ratio and of the developed methodology for monitoring compliance with its internal capital policies.

Consultation relating to internal controls

- 24. Senior management may request from the internal audit function an opinion on specific matters relating to the internal control principles to be complied with.
 - (a) For example, senior management may, for reasons of efficiency, request an opinion when considering:
 - 1) a material reorganization of the bank;
 - 2) the start of an important or risky new activity;
 - 3) the establishment of new entities for the performance of risky activities;
 - 4) the establishment or reorganization of risk control systems, management information systems, or information technology systems.
 - (b) The performance of consultative tasks shall be ancillary to the performance of audits and in no way shall they impair the performance of basic tasks or the responsibilities and independence of the internal audit function. Accordingly, internal audit reports may contain recommendations concerning failures and weaknesses/deficiencies as well as proposals for the improvement of internal controls.
 - (c) In any event, ultimate responsibility for development and implementation remains with the management.
 - (d) To eliminate doubt, the internal audit function shall not approve, design, or implement operational policies or procedures related to consultancy that it has given.

D. Charter

25. Each banking corporation shall have an internal audit charter that enhances the standing and authority of the internal audit function within the banking corporation. The charter shall be distributed throughout the organization.
26. The charter shall include at least the following matters:
 - (a) the objectives and scope of the internal audit function;
 - (b) the standing of the internal audit function within the organization, its powers, responsibilities, and relations with other control functions;
 - (c) the accountability of the internal auditor; and
 - (d) the conditions and situations in which the internal audit function may be asked to provide consultative services or carry out special assignments.
27. The charter shall anchor the internal audit function's right of initiative, to have direct access to and to communicate with any employee of the bank, and to initiate the examination of any activity or entity of the bank, including access to all records, files, or data in the bank's possession, and, within this generality, management information and minutes of all consultative and decision-making bodies, to any extent needed for the performance of its tasks.
28. The charter should be drawn up—and reviewed periodically—by the internal audit function; the audit committee shall discuss and recommend to the board of directors the approval of the function's charter.

E. Scope of Activity

29. Every activity and entity at the bank shall fall within the scope of the internal audit function, including activity of branches and subsidiaries as well as outsourced activities, as specified below:
 - (a) The internal audit function of subsidiaries may be carried out by the internal audit function of the parent company. When subsidiaries have their own internal audit functions, they shall also report to the parent company's internal audit function.
 - (b) In the occurrence of the first part of Section (a) above, the parent company shall take all necessary measures/means, without prejudice to local legal or regulatory provisions and instructions, to ensure that its own internal audit function has unlimited access to all activities and entities of the subsidiaries and that it carries out on-site audits at sufficient intervals.
 - (c) If a banking corporation has a branch abroad, the internal audit function shall establish a local office to assure the efficiency and continuity of its work unless the Supervisor of Banks absolves the banking corporation of this requirement/obligation. A local office of this kind shall be part of the bank's internal audit function and shall be organized so as to operate under the principles set forth in this Directive.
 - (d) For branches abroad as well as for subsidiaries, the internal auditing principles shall be established centrally by the parent bank without prejudice to local, legal, and regulatory

- provisions and instructions. The parent company shall draw up the auditing instructions for the whole group.
- (e) The parent company's internal audit function shall participate in recruiting and evaluating the local internal auditors.
 - (f) In the case of more complex group structures than those described above, the internal audit function should be organized in such a way as to comply with the principles set forth in this document.
30. The internal audit function shall be given access to all records, files, or data of the banking corporation, including management information and the minutes of all consultative and decision-making bodies, whenever relevant to the performance of its assignments, all of which as set forth in Sections 9 and 10 of the Internal Audit Law and Section 10 of Directive 301.
31. The internal audit function may avail itself of information reported by the various control departments for the performance of its tasks. Notwithstanding this, the internal audit function shall remain responsible for examining and evaluating the appropriate performance of internal control in connection with activities of the bank or other relevant entity.

F. Working Methods

32. There are different types of internal audit:
- (a) the financial audit, the aim of which is to assess the reliability of the accounting system and information and thus the financial reports produced on their basis;
 - (b) the compliance audit, the aim of which is to assess the quality and appropriateness of the systems established to ensure compliance with laws, regulations, policies and procedures;
 - (c) the operational audit, the aim of which is to assess the quality and appropriateness of other systems and procedures, to analyze the organizational structures with a critical mind, and to evaluate the adequacy of the methods and resources in relation to the assignment; and
 - (d) the management audit, the aim of which is to assess the quality of management's approach to risk and control in the framework of the banking corporation's objectives.
33. (a) The internal audit function examines and evaluates the whole of the banking corporation's activities in all its entities. Therefore, it shall not focus on one single type of audit but shall use the most appropriate type depending on the audit objective to be achieved.
- (b) The internal audit function shall not limit itself in this respect to auditing the banking corporation's various departments; rather, it shall also pay special attention to auditing a banking activity through all engaged entities within the bank.

Internal audit working procedure

34. The internal audit function shall organize its work on the basis of a written procedure that deals with the following matters, *inter alia*:
- (a) how the annual and multiannual audit plans are prepared;
 - (b) the measures to be taken to assure the quality of the auditing work, including:

- 1) examination by the official in charge of the specific audit to assure that the audit was performed in accordance with the audit program and the audit plan;
 - 2) gathering the findings in appropriate working papers;
 - 3) verifying the findings before the audit report is sent on.
- (c) the types of documents that must be submitted to the internal auditor, including reports from supervisory authorities and from the external auditor;
 - (d) how the audit report is drawn up;
 - (e) distribution of audit reports to players other than those specified in the law;
 - (f) procedures for follow-up on auditees' responses;
 - (g) determining who is authorized to confirm that the treatment of an audit report has been completed;
 - (h) setting deadlines for the presentation of various reports to the audit committee;
 - (i) cooperation with the external auditor, including prevention of unnecessary redundancies vis-à-vis the external auditor's work. Cooperation in the auditing efforts includes periodic meetings for discussion of matters of mutual interest, exchange of audit reports and management letters, and joint understanding of auditing techniques, methods, and terminology.

Risk focus and audit plan

35. The internal audit function shall draw up a audit plan for every assignment. The audit plan shall include the timing and frequency of planned internal auditing work. This plan is based on a methodical control risk assessment. A control risk assessment documents the internal audit function's understanding of the institution's significant activities and their associated risks. The internal audit function shall establish the principles of the risk assessment methodology in writing and update them regularly to reflect changes to the internal control system or work process and to incorporate new lines of business.
36. The risk analysis shall examine all the bank's activities and entities and the complete internal control system. On the basis of the results of the risk analysis, an audit plan to several years ahead shall be established, taking into account the degree of risk inherent in the activities. The plan shall also take into account expected developments and innovations, the generally higher degree of risk of new activities, and the intention to audit all significant activities and entities within a reasonable time period (an audit cycle principle—e.g., three years). All these concerns will determine the extent, nature, and frequency of the assignments to be performed.
37. The annual audit plan shall be divided into two half-year periods and shall include details on the following matters:
 - (a) audit topics;
 - (b) details of the personnel to be employed in the audits, their requisite professional competence, and other necessary resources;
 - (c) audit schedules/time tables;
 - (d) follow-up audits, to be performed within a reasonable time after the correction of faults/deficiencies/malfunxions;
 - (e) budgeting of time for other tasks and activities, e.g., specific checks, presentation of opinions, and training;
 - (f) The audit plan shall be based on the following, *inter alia*:

- 1) a written program of duties in every department or unit as the plan sets forth on the basis of an up-to-date organization chart;
 - 2) mapping of focal points of risk in the bank's activities;
 - 3) mapping of focal points of risk relating to embezzlement and fraud;
 - 4) the external auditor's detailed report;
 - 5) the minimum auditing frequency determined by the internal auditor, with separate reference to the frequency of audits at branches, central units, and subsidiaries. The minimum frequency shall be related to the period in which the internal auditor audits each auditee's main areas of activity.
38. The audit plan shall be reviewed and updated in an orderly manner whenever such is required.
39. The audit plan shall be determined by the internal audit function and shall be presented for discussion to the audit committee, which shall present the board of directors with a recommendation concerning its approval. Said approval is meant, *inter alia*, to ensure that the banking corporation will provide the internal audit function with an appropriate allocation of resources.

Audit program

40. An audit program shall be prepared for each audit assignment. The audit program describes the objectives and outlines of the audit work that are considered necessary to attain them. It is a relatively flexible tool that should be adapted, completed and updated according to the risks identified.
41. The audit program shall include, *inter alia*:
- (a) mention of laws and supervisory directives pertaining to the matters being audited at the entity in question;
 - (b) a detailed list of instructions to the auditor concerning the actual/*de-facto* performance of the audit. The audit shall concern itself, among other things, with the auditee's working procedures in the following respects:
 - 1) verification of the existence of up-to-date working procedures in the area of activity being audited;
 - 2) evaluation of procedures, with reference to the following matters *inter alia*:
 - a. completeness of the procedures;
 - b. consistency of the procedures with the laws and directives that apply to the audited activity;
 - c. whether the procedures establish means of internal control for the matter being audited.
 - 3) detection of deviations from working procedures.

Documentation of auditing work

42. Audit procedures are part of the audit assignments and shall be documented in working papers. These shall reflect the examinations that have been made and emphasize the evaluations formulated in the report. The working papers shall be drawn up according to a well-determined method. Such a method shall provide enough information to verify whether the assignment was duly performed and enable others to check the manner in which it was

43. The internal audit function shall maintain documentation of assignments performed and of the reports issued.

The audit report and its distribution

44. Shortly after the performance of an audit, a written audit report shall be produced. The report shall present the findings, irrespective of whether a consensus existed about them upon the completion of the assignment, and the conclusions and recommendations of the internal audit function. The audit report shall make note of the purpose and scope of the audit, assess the auditee's internal control framework where possible, describe the relative importance of the deficiencies found and the recommendations made, and include the auditee's response.
45. (a) The internal auditor shall present a report on his/her findings to the chair of the board of directors, the chair of the audit committee, the Chief Executive Officer, the auditee and its management, and any other relevant player as the auditor sees fit, and shall also, in principle, distribute the audit report to senior management in the form of an executive summary.
- (b) A report on matters that the internal auditor examined at the behest of the chair of the board of directors or the chair of the audit committee shall be presented to the party that instructed the function to perform the audit.

Unusual findings

46. The internal auditor shall immediately report unusual findings to the chair of the board of directors, the chair of the audit committee, and the Chief Executive Officer.
- (a) If in the course of an audit at the bank the internal auditor discovers unusual findings pertaining to the activity of the board of directors, he/she shall report them to the chair of the board of directors and the chair of the audit committee.
- (b) If the internal auditor believes that measures to correct faults that he/she reported under Section (a) were not taken, he/she shall bring this to the attention of the board of directors in full forum.

Monitoring the correction of faults/deficiencies/malfunctions

47. The internal audit function shall follow up on the implementation of its recommendations. The status of the recommendations shall be reported to the audit committee at least every half-year.
48. Senior management shall ensure that the findings reported by the internal audit function are being properly addressed. Therefore, it shall approve a procedure, to be established by the internal audit function, to make sure that the function's recommendations are addressed and, to the extent possible, timely implemented.

G. The Internal Auditor

49. The internal auditor shall have the status of a member of management of the bank.

Duties of the internal auditor

50. The internal auditor shall be responsible for the performance of the following,
inter alia:

- (a) acting in accordance with accepted professional standards. For this purpose, the internal auditor shall make sure to comply with accepted internal auditing standards such as the professional standards of the Institute of Internal Auditors or stricter;
 - (b) ensuring that the charter specified in Sections 25 and 28 is in place.
 - (c) submitting to the audit committee, for its review, a draft annual or periodic audit plan;
 - (d) assuring that written policies and working procedures for function staff are in place, including reference to the topics appearing in Section 34;
 - (e) continuously assuring the professional fitness and training of internal audit function staff, as set forth in Section 19, and the availability of the necessary resources;
 - (f) placing special emphasis on the motivation of internal audit function staff and their awareness of quality;
 - (g) presenting the audit committee, for its approval, with a quality assurance program that relates to all activities of the internal audit function and will continually monitor the function's effectiveness. The plan shall include ongoing internal evaluation, to be performed by the internal audit function, and periodic external review, to be performed by an independent external entity;
 - (h) advising the chair of the audit committee about material internal audit reports that should be presented in their entirety to the audit committee for discussion, as set forth in Section 36(a)(1)(i) of Directive 301.
51. The internal auditor shall not hold any additional position at the bank except public ombudsman or staff complaint officer, and even this only if said position does not impair the discharge of his/her principal duty as required.

Appointment of internal auditor and termination of service

52. The internal auditor shall meet all legal requirements and his/her appointment shall be approved subject to the provisions of Section 11a of the Banking Ordinance.
53. (a) The appointment of the internal auditor and the termination or suspension of his/her service shall be carried out by the board of directors per proposal of the audit committee.
- (b) In the event of termination or suspension of service, the internal auditor shall be given an appropriate opportunity to address the board of directors at a meeting for which the director shall be given prior notice concerning said termination or suspension of service. The decision of the board of directors shall be made by a majority of its members.
54. If the internal auditor decides to resign his/her post, he/she shall serve the board of directors and the Supervisor of Banks with written notice and shall specify his/her motives for said resignation.

H. Reporting by the Function

55. The internal auditor shall submit regular reports directly to the board of directors, via the audit committee, and to the Chief Executive Officer:
- (a) about the performance of the internal control system and the attainment of the internal audit function's goals.
 - (b) *Biannual reporting*:

- 1) a list of all audit reports issued in the half-year reporting period, along with material findings at the auditor's discretion;
 - 2) a list of the demands arising from external audit reports for which treatment has not been completed, and reportage on the state of treatment;
 - 3) a list documenting the status of implementation of the internal audit function's recommendations as specified in Section 47.
- (c) *Annual reporting:*
- 1) a report on the performance of the audit plan, drawn up so as to permit comparison of performance against plan;
 - 2) a summarizing report on internal audit function activity, including a concise list of material faults presented in the audit reports, the internal auditor's recommendations on the way they should be corrected, and the auditor's conclusions about the results of his/her follow-up of the correction of the faults;
 - 3) recommendations in the internal auditor's audit reports that management did not accept/endorse;
 - 4) recommendations in the internal auditor's audit reports that are being implemented beyond a reasonable period of time.

I. Outsourcing of Internal Auditing

56. A bank that wishes to outsource significant internal auditing activity shall advise the Supervisor of Banks of its intentions in advance, including explanations.

Rules

57. The requirements in this Directive shall also apply respectively to internal auditing activities that are outsourced.
58. If activity is outsourced, the internal auditor shall, where possible, make sure that the knowledge acquired from the expert is assimilated/integrated at his/her department. One possible way of accomplishing this is by co-opting auditors from the auditing function into the external expert's work.
59. The outsourcee/outsourcing vendor must exhibit financial stability, fitness, appropriate knowledge, and expertise.
60. Banking corporations shall analyze the effect of the outsourcing of internal auditing activities on their total risk profile and their internal control systems.
61. Banks shall prepare a backup/contingency plan in the event of sudden termination of the contract with the outsourcee/outsourcing vendor. Given that there are several alternative providers in the internal auditing field, the backup/contingency plan shall usually make reference to contracting with an alternative outsourcee/outsourcing vendor. Given the period of time that the new outsourcee will need, the bank shall weigh the need to step up its in-house internal auditing efforts temporarily.
62. In cases where a bank considers contracting with an external auditor for the outsourcing of internal auditing activities, it shall present the Supervisor of Banks with a prior written request for approval.

Outsourcing contract

63. Senior management shall ensure that its outsourcing contracts will remain in effect long enough and will have been concluded with an outsourcee who has necessary professional competence in consideration of the characteristics of the banking corporation at issue.
64. An outsourcing of internal audit arrangement shall be in writing and shall include the following matters at least:
- (a) definition of the outsourcee’s tasks and responsibilities;
 - (b) an explicit statement/stipulation to the effect that the audit committee of the bank must give prior approval to the outsourcee’s risk analysis and plan;
 - (c) an explicit statement/stipulation to the effect that the audit committee or its representatives, and the external auditor or his/her representatives, shall have access at any time to records pertaining to the outsourcee’s tasks, including his/her audit plans and working papers;
 - (d) reference to the internal auditor’s responsibility for the outsourcee’s work and for the provision of resources for this purpose, e.g., the possibility of examining the outsourcee’s/outsourcing vendor’s work during or at the end of the work;
 - (e) a statement/stipulation obliging the outsourcee/outsourcing vendor to pledge the necessary resources to the effective performance of his/her tasks in accordance with the audit plan;
 - (f) conditions in the event of the introduction of changes in the contract, especially in regard to the expansion of auditing work in view of the discovery of significant findings.

J. Foreign Bank

65. This Directive shall apply to an foreign bank, *mutatis mutandis. Inter alia*:
- (a) In the discharge of its duties as specified in Section 21, the internal audit function may avail itself of the internal audit function of the parent bank;
 - (b) In determining the audit plan cited in Section 35, the internal audit function may base itself on risk evaluation methodologies determined by the parent bank, but it must make sure that said methodologies are suitable and up-to date for the activity of the branch in Israel;
 - (c) In exceptional cases where an external bank believes that certain sections of this Directive are not applicable to it, it may approach the Supervisor of Banks to adjust the incidence of said sections and/or the method of implementation in regard to it.

Updates

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2320	Original directive	Dec. 25, 2011