

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

By virtue of my authority pursuant to sections 7(b) and (c) and 32(c) of the Prohibition of Money Laundering Act, 5760-2000¹ (hereinafter: “the Act”), and section 95(a) of the Counter-Terrorism Law, 5776-2016 (hereinafter: the Counter-Terrorism Law), after consultation with the Minister of Public Security and with the Minister of Justice and with the approval of the Constitution, Law and Justice Committee of the Knesset, I hereby order as follows:

Chapter 1: Interpretation

Definitions:

1. In this Order –

“Politically Exposed Persons” – overseas resident with a senior public position from outside Israel in the last five years, including a family member of such a person or a corporation under his control, consultants and personal appointments of the Politically Exposed Person or a business partner of any of the above;

“Territory” – each of the following: Judea and Samaria and the Gaza Strip;

The “FATF Organization” (Financial Action Task Force) – an international organization for combating money laundering and financing of terrorism”;

“Family member” – as defined in the Securities Act, 5728-1968²;

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

“A “Know Your Customer” process – inter alia, clarifying the source of the money to be deposited in the managed account, his profession, the purpose for opening the managed account, the transactions planned to be carried out in the account; in respect of a foreign resident – clarifications also pertaining to his connection to Israel; whether the Customer or the Beneficiary in the account a Foreign Politically Exposed Person; in respect of a Foreign Politically Exposed Person – classified by a Portfolio Managers as posing high risk for money laundering and financing terrorism; also the source of his Financial resources; in respect of a business owner – also the type of his business”;

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

¹ Collected Laws 5760, p. 239; 5762, p. 386

² Collected Laws 5728, p. 234

“Competent Authority” – as defined in section 29 of the Act;

“The List” – a list of declared terror organizations and of people declared to be a terrorist activists, published pursuant to section 18 of the Counter-Terrorism Law; and also any such organization or person, regarding whom notice of its declaration as a terror organization or as a person who is a terrorist activist has been furnished to a Portfolio Manager and the Portfolio Manager has not received notice of its cancellation;

“Business correspondence” – a written contract as defined in section 13 to the Regulation of Engagement in Investment Advice, Investment Marketing and Management of Investment Portfolios Act, 5755-1995³ (hereinafter: “the Occupational Act”); every and all changes to the contract and the quarterly report as defined in section 2 to the Regulation of Engagement in Investment Advice, Investment Marketing and Management of Investment Portfolios Act (reports) 5772 – 2012;

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

“Managed Account” – an account for securities or financial assets over which the Portfolio Manager has received power of attorney;

“A Low-Risk Managed Account” – an account managed by a Banking Corporation or a Stock Exchange member in Israel, and which a portfolio manager classified as low risk for money laundering and financing terrorism, based on customer identification procedure”;

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

“Client” – one who gave the Portfolio Manager a power of attorney to act in a securities or financial assets account;

“Insurer” – as defined in the Supervision of Financial Services Act (Insurance), 5741-1981⁵;

“Public Institution” – government ministries, the Jewish Agency for Israel, local authorities and also other authorities, corporations or institutions established in Israel by legislation;

“Identity number” – each of the following:

³ Collected Laws 5755, p. 416

⁴ Collected Laws 5765, p. 889

⁵ Collected Laws 5741, p. 208.

- (1) For an individual who is a resident – his identity number in the Population Registry;
- (2) For an individual who is a foreign resident – the number of his passport or travel document and the name of the country where such passport or travel document was issued; In the event the individual is a resident of the Territory – the Identification Number can also be his Identification Number in the magnetic card issued by the Civil Administration; In the event the individual was identified according to a document as specified in section 4(a)(6a) - the Identification Number in said document and the name of the country issuing the document;
- (3) For a corporation registered in Israel – the registration number in the appropriate Register;
- (4) For a corporation not registered in Israel – the registration number in the country of incorporation, if any, and its name, and if there is no registration for corporations of its type the internal registration number with the portfolio manager; and in a corporation identified by a document as provided in Section 4(a)(6a) – the Identification Number in said document and the name of the country issuing the document;
- (5) For an overseas public institution, recognized body and corporation that was established by legislation – the registration number allocated to it by the banking corporation or the Stock Exchange member where the managed account is held or the registration number allocated to it by the Portfolio Manager;

“Address” – each of the following:

- (1) For an individual – his address as recorded in the document stated in section 4(a)(1), (2) and (6a) or his place of residence, as provided, including the town name, the street name, the house number and the postal code, if this information exists, and for a foreign resident – also the country name;
- (2) For a corporation – the address as recorded in the document stated in section 4(a)(3), (4) and (6a) or the place where its business is conducted in Israel, and if it does not conduct business in Israel – the center of its business activity outside Israel, and all these – as furnished; the address shall include the town name, the street name, the house number and the postal code, if this information exists, and for a foreign corporation – also the country name;
- (3) For a foreign public institution, recognized body and corporation

that was established by legislation – the address as furnished, including the town name, the street name, the house number and the post code, if this information exists, and for a foreign corporation established by legislation – also the country name;

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

“Securities” and “Financial Assets” – as defined in the Occupational Act;

“Attorney” – an attorney licensed to practice law in Israel and for a corporation that is not registered in Israel, also an attorney licensed to practice law in the country in which the corporation was incorporated, provided that the country or territory in which the corporation is incorporated, is not listed in the First Schedule; in the event the country of incorporation is one of the member states of the OECD – also an attorney holding a license to practice law in one of the member states of the OECD;

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

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

“Name” – each of the following:

- (1) For an individual – surname and forename, recorded in the identity document as defined in section 5;
- (2) For a corporation – its registered name, and if incorporated in a country where there is no registration of corporations of its type – its name as furnished;
- (3) For a corporation established by legislation – the name stipulated in the legislation, whether in Israel or overseas;
- (4) For a recognized body and public institution, excluding a corporation established by legislation – the name as furnished;

“Corporation” – each of the following:

- (1) Company, partnership, cooperative association, Ottoman association, society or party registered in Israel;
- (2) Body registered as a corporation overseas;
- (3) Body incorporated in a country in which there is no registration

of bodies of its type, providing that it shows a document proving that it is a corporation;

“Resident” – as defined in the Population Registry Law, 5725-1965⁶; including an Israeli citizen who is not a resident as aforesaid, registered in the Population Registry;

“Resident of the Territory” – anyone registered in the Territory’s population registry;

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

“Senior Public Office” – including head of a state, president of a state, city mayor, judge, member of Parliament, senior member of a political party, member of the government, senior military or police officer, senior officer in government corporations, a person holding a senior office in international organizations or any person who holds such a position even if his title is different”.

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; the Portfolio Manager shall document all the aforesaid information.
- (b) A portfolio manager shall not enter into an agreement for the purpose of managing a Managed Account whose owner or beneficiary therein is a Foreign Politically Exposed Person, unless approval to do so has been received from an officer in the portfolio manager, including someone directly subordinate to the CEO; the granting of such approval shall be subject to an examination according to the degree of risk of such Foreign Politically Exposed Person for money laundering and financing terrorism; in the event it is learned in the course of the engagement that the Customer or the Beneficiary is a Foreign Politically Exposed Person, the portfolio manager shall not carry out any transaction in the account until such approval is received to continue the engagement; in this section, “Officer” – as per the definition of the term in the Companies Law, 5759 – 1999.⁷
- (c) A portfolio manager shall carry out regular monitoring with reference to the process of becoming familiar with the Customer conducted upon the beginning of the engagement according to

⁶ Collected Laws 5725, p. 270.

⁷ Book of Statutes 5759, page 189; Collection of Regulations 5776, page 949

the degree of risk of the Customer for money laundering and financing terrorism and also pursuant to the nature of activity that seems unusual in a managed account, and shall update his records accordingly; if any doubt arises regarding the identity of the Customer or the veracity of the identification documents furnished to the portfolio manager, or concern for money laundering and financing terrorism, the portfolio manager shall repeat the process of becoming familiar with the Account Owner while taking reasonable measures.

- (d) portfolio manager will not open numbered account or under aliases.
- (e) Inquiry as to whether a person is a Foreign Politically Exposed Person can be done with an approved form that will be published by the Commissioner.

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.
- (a1) If there is an authorized signatory, the Portfolio Manager shall inspect that the account owner gave the authorized signatory means of a proxy and shall retain a copy of the means of proxy or documentation of the inspection.
- (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 Commissioner, 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 enter into an agreement with a corporation without recording with respect to its Controlling Shareholders and CEO or anyone serving in a similar position even if it is called by another title the details specified in subsection (a)(1) and (2) and the description of the control structure in the corporation; recording the details specified in subsection (a)(1) and (2) shall also be done with respect to other senior management officers in the corporation according to the corporations' degree of risk; recording the details with respect to the Controlling Shareholders as stated above shall be done pursuant to a declaration as stated in section 5; if the portfolio manager does not have an 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 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), verifying them as specified in section (4); and shall inspect that the account owner gave him means of a proxy as mentioned in subsection (a1);
 - (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) In the event of an individual that is a resident, with respect to the recording of the identification details in section 3(a)(1) to (3) – an ID, or a certified copy thereof; photocopies of the identification documents – with respect to the identification details – will be kept with the portfolio manager; in the event there is a proxy in the Managed Account, for no apparent reason, the portfolio manager shall compare the proxy's identification details with another identification document, bearing a photograph and a name or an Identification Number, or verify the identification details with the Civil registry and compare the ID issue date with the last issue date registered in the Civil registry; with respect to this paragraph – an identification document shall also include a new-immigrant's card up to 30 days from the day it was issued, a valid Israeli passport issued under the Passports Law, 5712 – 1952⁸ and a valid driver's license, including the photograph of the license holder, issued under the Transportation Ordinance [New Version]⁹;

(2) With respect to the recording of the identification details in section 3(a)(1) to (3) of an individual that is a foreign resident – a foreign passport or laissez-passer or certified copy of such identity document; photocopies of the identification documents – with respect to the identification details – will be kept with the portfolio manager; in the event the Individual was a resident of the Territory, the portfolio manager may record the details in accordance with a magnetic card issued by the Civil Administration, and a photocopy thereof – with respect to the aforementioned identification details – shall be retained by the portfolio manager; in the event there is a proxy in the Managed Account, for no apparent reason, the portfolio manager shall compare the proxy's identification details with another identification document, bearing a photograph and a name or an Identification Number or verify the identification details with the Civil registry and

⁸ Book of Statutes 5712, page 260; 5770, page 271

⁹ Laws of the State of Israel, New Version 7, page 173; Book of Statutes 5774, page 812

compare the ID issue date with the last issue date registered in the Civil registry;

- (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; A recent draft of the of the company details from The Registrar of Companies or an attorney’s conformation on the existence of the corporation, its name and identification number; the Portfolio Manager shall receive the aforementioned documents or photocopy of it, in addition to the following documents:
 - (a) Approved copy of the certified organ's decision in the corporation to open an account with the Portfolio Manager, or a lawyer's approval that aforementioned decision was legally sustained;
 - (b) Approved copy of the certified organ's decision in the corporation on an Authorized Signatory of the account, or a lawyer's approval of the Authorized Signatory of 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); 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), 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;
 - (6a) In the event that actions were taken overseas to open the account, the portfolio manager may, notwithstanding the provisions of paragraphs (2) and (4), record the identification details according to the identification documents customary in an account of this kind in the country in which the identification was made, provided that said country has legislation requiring identification of customers; the portfolio manager shall retain photocopies of the identification documents;
 - (7) For a minor under the age of 16 – the identity document of one of his guardians; the Portfolio Manager shall not carry out any transaction initiated by the client up to three months from the day the client 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;
 - (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 Schedule to the Act, who is shown the original document;
 - (4) An authority that was noted 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 Commissioner 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;

- (1a) In the event a portfolio manager was asked to manage an account as provided in section 3(b)(2), he shall retain a copy of the decision of the court, the tribunal or the Execution relating to the appointment;

- (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 Schedule.

- (d) The portfolio manager will examine the feasibility of the declaration, as specified in subsections (a) to (c), on the face of it.

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, according to the form in the Second Schedule, 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, according to the form in the Second Schedule, by the individual wishing to open it, of the special purpose of the account;
 - (8) Any other type of account as instructed by the Commissioner .
- (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 Commissioner ; in this section, “Stock Exchange” a securities exchange or a regulated market as defined in the Joint Investments in Trust Act, 5744-1994¹⁰.

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

Concessions for a
low-risk level
Managed Account

6a. (a) Upon engaging a low-risk level Managed Account the provisions of section 7 shall not apply, and notwithstanding the provisions of section 4(a), 5(a) and (b), the portfolio manager may register the identification details according to a copy of the identification documents listed in section 4, and receive a declaration on a beneficiary and Controlling Shareholder not bearing an original signature, provided he has taken additional measures for identification and verification of the Customer; in this regard, “additional measures” – each of the following:

- (1) Comparing the Customer’s identifying information of the with a copy of another identification document, bearing a photograph and name or identification number;
- (2) Performing face to face identification of the Customer using visual identification technology;
- (3) verify the identification details with the Civil registry and compare the ID issue date with the last issue date registered in the Civil registry;
- (4) Other means approved by the Commissioner.

(b) This section shall not apply if the Customer is from a country or territory listed in the First Schedule.

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) 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 Schedule to the Act document;
- (2) The holder of a license to practice law in Israel;

¹⁰ Collected Laws 5744, p. 308.

- (3) An Israeli diplomatic or consular representative overseas;
- (4) An authority indicated in Article 6 of the Convention abolishing the requirement of legalization.
- (5) Other means approved by the Commissioner.

(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 five years at least following the termination of the business relations or for a longer period if he is required to do so by the Commissioner in certain instances where the identification documents are required for an inquiry or for supervision over the provisions of the Law; 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), 5730-1969¹¹; As long as it allows available and efficient option locating them; 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.

Cancellation of Easements

8a. In respect of an account where concern has come up in respect of money laundering and financing terrorism, the portfolio manager will consider, according to the degree of risk of money laundering and financing terrorism, the cancellation of the exemptions or concessions granted in respect thereof; in this respect, "account" – an account in respect of which alternative identification procedures were taken according to section 4(d), an account that is exempt from registration of a beneficiary as provided in section 6 or an account in respect of which concessions were given as specified in section 6a.

Prevention of violation of the duty to prohibit disclosure and inspection

8b. In the event of activity pursuant to the nature of activity that seems unusual in a managed account as specified in section 2(c) or suspicion of money laundering and financing terrorism as provided in section 8a, and the portfolio manager believes that carrying out the regular monitoring with reference to the process of "know your customer" again or cancellation of the exemptions or concessions, as applicable, will lead to a breach of the obligation under section 14 of the Order, he may choose not to do so and shall report to the Competent Authority about said risk".

Chapter C: Duties of Review and Reporting

¹¹ Collected Laws 5730, p. 316; 5765, p. 794.

- Review of activity in the account
9. The Portfolio Manager shall conduct regular reviews of initiated activity by the client in the managed account, to the extent that he knows of them, for the purpose of complying with his obligations on matters of identification, reporting and record keeping pursuant to the law; and to ensure that the transactions comply with the nature of the account according to his familiarity with the Customer, according to the Customer's degree of risk in respect of money laundering or financing terrorism; without affecting the generality of the foregoing, the Portfolio Manager shall strictly monitor:
- (1) Transactions in the account that are carried out with countries and territories listed in the First Schedule;
 - (2) Transactions carried out in the account managed by a Foreign Politically Exposed Person;
 - (3) Customers or transactions that involve high risk of money laundering and financing terrorism.
- 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 subsection (a), any of the transactions specified in the Third Schedule may be deemed an unusual transaction.
- (c) A portfolio manager will report to the Competent Authority on the activity of the Customer which he reported to the Israel Police under section 6(a)(1) of the Law or under sections 33(a) or 34(a) of the Counter Terrorism Law.
11. Void.
- Details of the reporting
12. Reporting pursuant to section 10 shall include the following details:
- (1) Regarding the reported transaction:
 - (a) The name of the banking corporation or Stock Exchange member who manages the client's monetary account, the branch number and account number;
 - (b) The date the transaction was performed, as recorded in the Portfolio Manager's books;
 - (c) The amount of the transaction in Israeli currency; for a transaction in foreign currency, the amount shall be calculated according to the exchange rate published by the

Bank of Israel and known on the day the transaction is recorded;

- (d) Types of foreign currency in which the transaction was performed, up to two types of currency;
- (e) Type of action;
- (f) Reason for reporting, including a description of the circumstances of the transaction for which the report is given.

(2) For a client and a proxy:

- (a) Name;
- (b) Identity number;
- (c) Address;
- (d) Up to two telephone numbers, if known;
- (e) For an individual – date of birth; for a corporation – date of incorporation;
- (f) For an individual – sex;
- (g) Status of the client (resident/ foreign resident/ Israeli corporation/ foreign corporation).

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

Reporting by a Portfolio Manager who is also a Stock Exchange member

13. In addition to the contents of section 10, a Portfolio Manager who is also a Stock Exchange member shall report to the competent authority also pursuant to the Prohibition of Money Laundering Order (Obligations for identification, reporting and keeping records by a Stock Exchange member to prevent money laundering and financing terrorism), 5770-2009¹².

Prohibition of disclosure and examination

14. Disclosure of the preparation, existence, non-existence or contents of any report pursuant to section 10, and the existence of any supplementary report as defined in section 31(c) of the Act, the existence of a request for such report or the contents of any of these, and also permitting the examination of documents giving evidence of any of them is forbidden, except to an authorized person for the purpose of performing his role in the Portfolio Manager, the Supervisor or anyone authorized by him, the competent authority or pursuant to a

¹² Collected Regulations 5770

Court order.

Chapter D: Examining the identifying details against the list

- Obligation to check against the list
15. The Portfolio Manager will check the list to see whether it contains the name or identity number of a client, a proxy, a Beneficial owner or a controlling shareholder, for all the accounts he manages; such a check shall be carried out whenever an organization or person is added to the list or whenever a client, a proxy, a Beneficial owner or a controlling shareholder is added to the account.

Chapter E: Miscellaneous

- Determining policy
16. The Portfolio Manager 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 the client;
 - (2) Tracking threats of money laundering and financing of terrorism, arising, inter alia, from new technologies, particularly those that enable transactions to be conducted other than face to face.
- 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) A portfolio manager will retain all the business correspondence and any document in connection with the execution of a transaction initiated by the Customer and any document in connection with the execution of a transaction which he reported to the Competent Authority and the report itself for a period of five years from the date of the transaction, As long as it allows available and efficient option locating them, or for a longer period if required to do so by the Commissioner in certain cases where the document ordering the transaction or the business correspondence are required for an inquiry or for supervision over compliance with the provisions of the Law; retention of said documents may be done by computer scanning according to the conditions specified in regulation 3a of the Testimony (Photocopies) Regulations, 5730 – 1969¹³.
- (c) The Portfolio Manager shall retain written documentation of checks of activity as aforesaid in sub-section (b) and their

¹³ Collection of Regulations 5730, page 316; 5765, page 794

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. |
| Cancellation | 19. The Prohibition of Money Laundering Order (Duties of identification, reporting and record keeping of a Portfolio Manager), 5762-2001 ¹⁴ , excluding section 18 therein, is revoked/void. |
| Commencement | 20. This Order commences six months from its date of publication. |
| Transitional provisions | 21. (a) From the end of two years following the commencement of this Order, a Portfolio Manager shall not perform any transaction on a managed account opened before the commencement date of this Order, unless he has complied with the provisions of Section 2, according to his knowledge of the client. account owner.

(b) If the Portfolio Manager has used all the means at his disposal to make contact with the client and has failed to do so, he may, until he succeeds in contacting the client, notwithstanding the contents of sub-section (a), perform in a managed account opened before the commencement of this Order, only the activities of buying and selling securities or financial assets, in order to ensure the client's best interests, as long as it is not prohibited by any law; the Portfolio Manager shall record the details of any actions taken to make contact with the client and shall retain all documents relevant to such actions. |

¹⁴ Collected Regulations 5762, p. 239; 5768, p. 68.

First Schedule

(Section 1,6a(b) and 9(1))

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 Organization, the Moneyval Organization or other international organizations published reservations regarding their compliance with the organization's recommendations for prohibiting money laundering and the financing of terrorism. all as published on the website of the Competent Authority.
2. The following countries and territories: Iran, Algeria, Afghanistan, Kingdom of Jordan, the Palestinian Authority, Lebanon, Libya, the United Arab Emirates, Malaysia, Egypt, Morocco, Sudan, Somalia, Pakistan, the Gaza Strip, Tunisia, Yemen.

Second Schedule

(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:
_____.

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.

Third Schedule

(Section 10(b))

List of transactions that may appear to be unusual transactions

1. Under the circumstances it appears that there is a client, although this has not been declared by the client, including a client accompanied by another person and the Portfolio Manager has grounds for thinking that the instructions given by the client originate with the other person;
 - 1a. It appears on the face of it that there is a proxy in the account, with no apparent reason;
2. A transaction whose purpose seems to be to bypass the identification obligation;
3. Activity which caused the Portfolio Manager to decide to refuse to establish a business relationship with the client or to terminate the existing relationship for reasons of prevention of money laundering or the financing of terrorism;
4. Activity which appears to be intended to replace the activity of an organization declared as a terror organization pursuant to sections 3(a), 4(a), 6(a) or 11(a) to the Counter Terrorism Law;
5. Activity that appears to be intended to replace the activity of a person declared a terrorist activist pursuant to sections 11(a)(2) or 11(a)(3) to the Counter Terrorism Law;
6. Activity which appears to be lacking in business or economic logic, with reference to the type of account or the conduct of the client, or that is not consistent with the purposes and objectives of the managed account;
7. Activity in the account involving the withdrawal of money and securities, without apparent reason, soon after their deposit, and not as part of a normal business procedure, as far as the Portfolio Manager knows;
8. Action initiated in a managed account by a client or proxy, including changing the needs and instructions and the extent of authority and discretion granted to the Portfolio Manager pursuant to the power of attorney, that is not typical of the client or the type of account, without apparent reason;
9. Unusual extent of activities or significant change in the account balance, without apparent reason;
10. Series of instructions given by the client to purchase or sell securities, without apparent reason;
11. Activity by a non-profit organization which, as far as the Portfolio Manager knows, is not consistent with the purposes of that organization's activity;
 - 11a. Activity of a non-profit organization with entities in a country or a territory listed in the

First Schedule;

12. Activity in an account that was opened for joint investment and appears to have been opened solely for managing a joint account, without apparent reason;
13. Establishment of business relations by a client to manage a number of accounts of the same client, held by different Stock Exchange members or banking corporations, as well as activity in more than one managed account, whether as a client or as someone acting in his name, without apparent reason;
14. A client who has declared that he is acting in a managed account for another who is not known to him;
15. An initial transaction initiated by the client after August 17, 2003, in a managed account opened before February 17, 2001, without the client being identified face to face;
16. A lack of concern shown by the client with regard to the risks, commissions and costs of the activities;
17. An account managed for a public purpose, for which the individual wishing to be a client has declared that there are no beneficiaries;
18. A declaration pursuant to this Order, which appears to be incorrect;
19. A declaration by a client pursuant to section 5 of this Order, which the details given are not the same as the details given to the banking corporation or to the Stock Exchange member holding the managed account, as far as the Portfolio Manager knows.

The entry into effect of this Order is 30 days from its publication. _____, 5770

(_____, 2010)

(HM 3-3112)

Yuval Steinitz
Minister of Finance