

November 22, 2022

The Money Laundering Prohibition Order applies to financial service providers, including those dealing in virtual assets

Client Updates

An updated money laundering prohibition which applies to all financial services providers, including those dealing with virtual assets, entered into force in November 2022.

The Money Laundering Prohibition Order of 2018 (which includes the obligations to identify, report, and maintain records of financial asset service providers and credit service providers to prevent money laundering and terrorist financing) amended the 2014 Money Laundering Prohibition Order which applied only to credit providers. In addition, it replaced the order that applied to financial asset service providers (which included obligations to identify, report, and maintain records of currency service providers to prevent money laundering and terrorist financing).

The amendment establishes uniformity in the money laundering regulations, making it applicable to financial asset service providers, and creates the proper environment to prevent money laundering as part of the activities of those engaged in the financial sector. The goal is to allow entities, such as banks and institutions, to open accounts and provide credit and additional services to financial service providers. In addition, the State of Israel is taking a step forward regarding virtual assets. While virtual assets are included in the clear directives for the purpose of preventing money laundering, their inclusion in the amended order also makes it possible to invest more legitimately in virtual assets, and it enables banks to engage in this activity.

Below are the main amendments contained in the updated order:

In light of the many changes in the updated order, this list is only partial. We recommend that financial asset service providers consult with a professional regarding how to implement the provisions of the amended order.

- Obligation to register customer details starting from "the first shekel."
- Assessing the obligation to identify, verify, and report so that it applies only to a steady customer and not an occasional customer (an occasional customer whose cumulative activity in six months totals 50,000 NIS or who deals in virtual assets in the amount of 5,000 NIS – with exceptions.)

- Exclusion of ATM services from the provisions of the order.
- Expanding the exemption of registering controlling owners to include corporations traded on foreign stock exchanges in OECD countries.
- Distinguishing between registration of details based on the presentation of an ID card and the necessity to keep the ID in order to comply with identification, verification, and reporting requirements.
- Expanding the Commissioner's authority to issue alternative directives regarding identification options (the order allows the application of the "remote identification" notice distributed by the Capital Market Authority).
- Expanding the exemption regarding the registration of a private beneficiary to include a client who is a financial services provider.
- Expanding the definition of a transfer in a closed and semi-closed system (for which exemptions from fulfilling part of the obligations were granted by order) to include drawing a check from the service provider to the service recipient and vice versa.
- Expanding the obligation to register identification details of the transferee and transfer beneficiary in transfer documents, including the registration of digital wallet address details when transferring virtual assets.
- Obligation to request information, explanations, and references from clients in case money laundering is suspected.
- Expanding regular reporting requirements to include details about virtual asset activity such as wallet addresses, the type of wallet, the IP address from which the activity was performed, etc.
- Obligation to receive a statement from someone who appears to be a financial services provider to the effect that he/she is not required to be licensed.

This article is intended to provide general information, and, as stated above, we recommend that clients and other financial service providers consult with professionals regarding the provisions of the order.

As experts in the field of financial regulation and the prevention of money laundering, Gornitzky & Co. advises financial institutions and financial service providers in implementing the anti-money laundering regulations, provides opinions on the issue of money laundering, and offers ongoing compliance services for clients engaged in the field.

For advice regarding the prevention of money laundering, and compliance with the Money Laundering Prohibition Order, please contact Ido Malin, a partner at Gornitzky, or one of our other experts in financial regulation.

Key Contacts



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