STATE OF ISRAEL

Response of the State of Israel

Information requested from States parties and signatories in relation to integrity in public procurement processes and transparency and accountability in the management of public finances and measures to prevent money-laundering in the context of articles 9, 10 and 14 of the United Nations Convention against Corruption
(Reference: CU 2015/58/DTA/CEB)

August 2015

I - Information requested from States parties and signatories in relation to integrity in public procurement processes and transparency and accountability in the management of public finances (arts. 9 and 10).

Article 9. Public procurement and management of public finances

1. 1. Each State Party shall, in accordance with the fundamental principles of its legal system, take the necessary steps to establish appropriate systems of procurement, based on transparency, competition and objective criteria in decision making, that are effective, inter alia, in preventing corruption. Such systems, which may take into account appropriate threshold values in their application, shall address, inter alia:

(a) The public distribution of information relating to procurement procedures and contracts, including information on invitations to tender and relevant or pertinent information on the award of contracts, allowing potential tenderers sufficient time to prepare and submit their tenders;

(b) The establishment, in advance, of conditions for participation, including selection and award criteria and tendering rules, and their publication;

(c) The use of objective and predetermined criteria for public procurement decisions, in order to facilitate the subsequent verification of the correct application of the rules or procedures;

(d) An effective system of domestic review, including an effective system of appeal, to ensure legal recourse and remedies in the event that the rules or procedures established pursuant to this paragraph are not followed;

(e) Where appropriate, measures to regulate matters regarding personnel responsible for procurement, such as declaration of interest in particular public procurements, screening procedures and training requirements.

2. Each State Party shall, in accordance with the fundamental principles of its legal system, take appropriate measures to promote transparency and accountability in the management of public finances. Such measures shall encompass, inter alia:

(a) Procedures for the adoption of the national budget;

(b) Timely reporting on revenue and expenditure;

(c) A system of accounting and auditing standards and related oversight;

(d) Effective and efficient systems of risk management and internal control;

(e) Where appropriate, corrective action in the case of failure to comply with the requirements established in this paragraph.

3. Each State Party shall take such civil and administrative measures as may be necessary, in accordance with the fundamental principles of its domestic law, to preserve the integrity of accounting books, records, financial statements or other documents related to public expenditure and revenue and to prevent the falsification of such documents.

Article 10. Public reporting

Taking into account the need to combat corruption, each State Party shall, in accordance with the fundamental principles of its domestic law, take such measures as may be necessary to enhance transparency in its public administration, including with regard to its organization,

functioning and decision making processes, where appropriate. Such measures may include, inter alia:

(a) Adopting procedures or regulations allowing members of the general public to obtain, where appropriate, information on the organization, functioning and decision-making processes of its public administration and, with due regard for the protection of privacy and personal data, on decisions and legal acts that concern members of the public;

(b) Simplifying administrative procedures, where appropriate, in order to facilitate public access to the competent decision-making authorities; and

(c) Publishing information, which may include periodic reports on the risks of corruption in its public administration.

1. Please describe the measures your country has taken to implement this provision of the Convention.

Ensure the national procurement system is based on principles of transparency, competition and objective criteria in decision-making; establishing in advance the conditions for participation, including selection and award criteria and tendering rules;

Israel's national procurement system uses public tenders, pursuant to the **Mandatory Tenders Law, 1992** (the "Tenders Law") and the **Mandatory Tenders Regulations, 1993** (the "Tenders Regulations"). This legal framework enables a transparent and competitive working environment, inter alia by establishing broad obligations for using public tenders, imposing strict limitations on exemptions from such obligations and providing tools for improving competition in public tenders. Both the Tenders Law and the Tenders Regulations apply to most public entities, including government ministries, government agencies and authorities, health care establishments, government companies and others.

Award criteria and tendering rules: documents of any tender in public entities are accessible to the public and, if possible, they are published online. The documents include the tender terms and details and payment requirements, terms of the required collateral, the decision criteria and their value. The Annex to the Tenders Law regulates the threshold requirements that can be requested by public offices regarding seniority, prior experience and volume of financial turnover, production or supply. According to Section 2A(b) to the Tenders Law, if the public entity issuing the tender wishes to establish requirements that are more restrictive than those listed in the Annex, the entity must explain its decision in the tender documents.

The criteria to select the winning bid, subtests and calculation methods are also published in advance in the tender documents. The criteria are meant to allow maximum advantages to the public entity and include examination of the following: price and quality of the bid; reliability of the bidder, the bidder's skills and experience in the relevant field of expertise, recommendations on its behalf and expressions of satisfaction from previous contracts. In some cases the bidder might also be required to present an adequate level of assurances of labor rights protection. In order to ensure objectivity in the selection process, the tender committee generally consists of at least three members: the public entity's Director General (or an appointed representative on his or her behalf), its chief legal advisor and its chief accountant. The legal advisor and accountant are independent and are subject to the Attorney General and

Accountant General respectively. In addition to the tender committee there is also a tenders' exemption committee, established under the Tenders Regulations, the purpose of which will be explained shortly.

Provide for sufficient time to potential tenders to prepare and submit their tenders and using by default an open tender procedure;

According to Section 15 of the Tenders Regulations, invitations to tender must be publicized a reasonable time in advance before the deadline for the submission of bids, in the press and on the web (in Hebrew and Arabic), to allow potential tenderers sufficient time to submit their bids. Numerous tenders have been executed in the online systems in various sums.

Provide for transparent publishing of all procurement decisions including publishing the invitations to tender;

Publishing invitations to tender: Section 15(a) in the Tenders Regulations requires that notice of every tender issued by the state be made public via a common newspaper, a newspaper in the Arabic language, and via the official website of the Government Procurement Administration.[1] The notice specifies the preliminary requirements, the nature of the service/product to be procured, the tender documents or information on how to acquire them, the manner in which the bid is to be submitted and the final date for submitting bids. Under certain circumstances (i.e. single supplier, foreign supplier, innovative supplier), a public entity is also required to publicize a notice on a pending procurement even when such procurement is exempt from the tender obligation under the Tenders Regulations.

Establish procedures, rules and regulations for review of the procurement process, including a system of appeal;

All appeals of decisions made by both exemption and tender committees are made to designated administrative courts. Every contractual obligation for procurement that is exempt from public tender is published on the official website. This general rule is subject to exceptions concerning the value of the transaction (less than 50,000 NIS – approx. 12,000 Euro), or its confidential nature due to sensitivities relating, *inter alia*, to defense issues, international trade relations or foreign policy. Section 24d of the Regulations permits the Accountant General to inquire into flaws in the tendering process involving tender criteria choices, bid selection and bid rejection. According to Section 24e, the Accountant General may inform the exemption committee of any flaws in the committee's conduct or decisions. If the committee repeats these flaws, the Accountant General may mandate a discussion regarding this matter in a monitoring committee, which will be comprised of the Director General of the Office of the Prime Minister, the Director General of Ministry of Finance and the Accountant General. The aforementioned committee may revoke all or some of the powers of the exemption committee, depending on the seriousness of the flaw.

[1] The website of the Government Procurement Administration in the Accountant General's Department: http://www.mr.gov.il

Provide for a thorough selection of personnel responsible for procurement, including screening procedures;

As noted, members of the tender committee in each public entity include representatives of the public entity's accountant and legal adviser, and the same is true with regards to the tenders' exemption committee. The screening procedures for the personnel include a training program approved by the Accountant General within a year of their appointment to the Committee. In case of failure to abide by this provision, the appointment is annulled.

Establishing a conflict of interest management system with declarations of interest and methods to resolve conflicts in particular cases;

Regulation 10(c) of the Tenders Regulations is aimed at preventing conflicts of interest in tender procedures. It provides that if a member of the tender committee, his/her relative, or a corporation in which he/she holds an interest, or an adviser, or a member of a subcommittee, has a personal or institutional interest in a matter under consideration by the committee, he/she may not participate in the meeting, and another member shall be appointed in his/her place in respect of that matter.

Both committees are independent and are subject to the authority of the Accountant General (professional and administrative subordination) and the Attorney General (professional subordination), and, importantly, not to the authority of the Director General of the public entity or to any other political authority. The accountant and legal adviser in the Committee hold veto power regarding decisions in financial or legal matters, respectively.

Put in place other administrative practices promoting integrity in procurement (such as the rotation of personnel, debarment procedures, etc.).

Common Practices:

A common practice in the Accountant General's department is to limit the term of senior accountants to four years in each position, excluding exceptional cases, and to hold periodic rotations of personnel among senior accountants between the different public entities. Moreover, several government decisions instruct the Civil Service Commission to manage and promote rotation among high rank officials.

Corrective Actions:

(e) Where appropriate, corrective action in the case of failure to comply with the requirements established in this paragraph.

Where a contract was signed as a result of a flawed procurement process and the winner benefitted from this contract, the State (or any other public entity) may have a cause of action against the winner stemming from the **Unjust Enrichment Law, 1979**. This law allows for restitution of the benefit arising from the contract (even where the State has not incurred financial damages). The claim would be that the enrichment resulted from an illegal contract and therefore was made unjustly. The court has discretion to order full restitution to the State in appropriate cases.

The State would also have a cause of action under the Unjust Enrichment Law, for example, in case a public official took a bribe in exchange for fixing the tender (in such a case, the benefit stemmed from the relationship between the public official and the state, and so this falls into the unjust enrichment category).

Other corrective measures may be taken in the administrative arena. The Office of the State Attorney was involved in a case pertaining to flawed tender procedure for catering services in a government-owned corporation. Even though the criminal investigation did not indicate sufficient evidence of bribery to pursue criminal charges, the position of the Office of the State Attorney was that the evidence was sufficient for administrative measures and therefore it advised the corporation not to extend the contract with the winner. Later it was decided not to enable the winner to make a bid in the following tender. This decision was challenged in an administrative appeal to the designated administrative court. The court held that this decision was reasonable and the appeal was denied.

Measures Promoting Transparency and Accountability in the Management of Public Finances

Provide for transparent and public procedures for adopting of the national budget, that specify the type of information required as part of the submission to the legislature, with opportunity for public input and debate;

The national budget, which is determined by provisions set out in the **Foundations of the Budget Law, 1985**, is the most detailed work plan of the Israeli government. The procedures for its approval ensure proper administration of public funds and transparency. Drafts of the proposed economic plan for each future fiscal year, its final version and other relevant information, such as government decisions, appear on government websites. There is a system for parliamentary queries with respect to the state budget, and the budgets for previous years are published. Prior to the adoption of the budget there are frequent intense debates about the different issues amongst the general public, facilitated by extensive media coverage of the governmental and parliamentary deliberations and decision-making process.

The **Basic Law: The State Economy, 1975**, lays down the procedures for the adoption of the national budget. Section 3(a) provides that the State's budget shall be set in a law every year for one year. Section 3(b) provides that the government must present to the Knesset (the Israeli Parliament) a detailed **Budget Law** proposal, by a specific date determined by the Knesset but no later than 60 days before the beginning of each fiscal year. Section 3A provides that every year, the government must prepare a budget plan for the next three years. The Foundations of the Budget Law establishes the legislative framework for the annual Budget Law, including limitations on government power to revise the budget and utilization of budget reserves. The annual Budget Law is enacted in a similar manner to any other law enacted by the Israeli Parliament. The Budget Law can also be enacted biannually, for a two year period, under certain circumstances.

An omnibus statute submitted annually or biannually to the Knesset dealing predominantly with the Budget Law, is called an **Arrangements Law** (or "Program

Law"). The government decision specifying the amendments to be made to the Budget Law is made before publication of the proposed Arrangements Law. Following the approval by the government, and 7-10 days before the final draft is approved in a Ministerial Committee, the proposed Arrangements Law is published on the Ministry of Finance's website. After the proposed Arrangements Law is approved by the Knesset, it is published as any other law in the official Gazette ("Reshumot") and on the Knesset website.

The procedures described above are implemented every one or two fiscal years. The documents issued pursuant to these legislative instruments are publicly available as follows: the drafts and final version of the proposed economic plan and budgets for previous years are published on the website of the Ministry of Finance, and government decisions relating to the subject are published on the Prime Minister's Office's website. The Knesset website publishes voting outcomes and other budget-related procedures such as committee meetings protocols.

Ensure that reporting on revenue and expenditure is public, timely and regular, and that there are consequences for the responsible agency and officials for failure to report at all or in a timely fashion;

The Minister of Finance presents to the Knesset a report on the execution of the national budget, on an annual basis, as provided for in **Basic Law: The State Economy** (Section 3(e)); According to the Basic Law: The State Economy, the Minister of Finance must submit, no later than six months from the end of the fiscal year, reports containing information on revenues and expenditures along with conditional expenditures. The information is presented in a manner that enables comparison with the budgeted amounts (Foundations of the Budget Law, Section 49). This report presents data on revenues and expenditures for the fiscal year, as approved by the Knesset. In addition to comparing the budgeted amounts and the actual allocations, the report notes amendments to the budget, and is prepared according to the rules outlined by the international standards of the System of National Accounts (SNA) 1993 (jointly formulated by the International Monetary Fund, the European Union, the Organization for Economic Co-operation and Development, the United Nations and the World Bank). In practice, and in accordance with the Accountant General's Directive, the Minister of Finance submits the report much sooner than required by law –reports are submitted every three months during each fiscal year.

Moreover, Section 40 in the Foundations of the Budget Law prohibits the enactment of any regulations or administrative provisions which require budgetary expenditure or a commitment for a budgetary expenditure unless they were explicitly mentioned in the annual Budget Law for their first year of execution.

Reports on the revenues and expenditures of the State: Every audited body in Israel (i.e. any public institution in Israel) must submit to the State Comptroller an annual report on its revenues and expenditures (**State Comptroller Law, 1958**, Section 11(a)). The Minister of Finance is obligated to submit to the State Comptroller a comprehensive annual report on the revenues and expenditures of the State, within six months of the end of each fiscal year, as well as the balance sheet of assets and liabilities of the State (within nine months of the end of the fiscal year) (State Comptroller Law, Section 12). The State Comptroller also conducts audits in

regard to such annual reports, their preparation and the oversight of those involved in their preparation. Most recently, the results of the audit concerning the report submitted in 2014 regarding the State's revenues and expenditures during the year 2013 were published in May 2015 as part of the State Comptroller's Annual Audit Report.

All financial reports must comply with the Israeli Government Accounting Standards, which are derived from the ISPAS (International Public Sector Accounting Standards). Budgeted or supported institutions (including government companies and their subsidiaries) are required to submit to the Ministry of Finance all information relevant for the enforcement and review of the budget, according to Section 33(a) of the Foundations of the Budget Law. This information is included in the Ministry of Finance's reports to the Knesset. The Law further requires every public institution to annually report the terms of employment of all employees to the Wages Commissioner in the Ministry of Finance. Additionally, according to the Law, every budgeted or supported institution is required to submit some information regarding the terms of employment of certain employees.

Ensuring public access to information: The **Freedom of Information Law, 1998** mandates that every resident and citizen of Israel has the right to receive information from a public authority (written, recorded, filmed, photographed, or computerized) in accordance with specifications of the Law. These authorities include any Government Authorities, Government Companies or any other agency fulfilling a public function, which is an audited agency as defined in Section 9 of the State Comptroller Law.

The specifications include restrictions that are intended to safeguard protected rights and interests, such as national security, protection of privacy and trade secrets. The law determines who is entitled to receive information, what kind of information the authority is required to provide, details regarding the contents of the information provided, the scope of a public authority's discretion in handling requests for information, and instructions and provisions regarding application procedures and the processing of applications. In order to receive information, the applicant can submit a request to the Supervisor for the Implementation of the Freedom of Information Law. In most cases, this requires payment of a nominal fee, calculated in accordance with the time required to handle the request. Certain bodies are exempt from the requirement of the fee, including, *inter alia*, non-governmental organizations and academic institutions.

Pursuant to Section 5 of the Freedom of Information Law, every public authority is required to publish an annual report, which must include information about its activities and responsibilities and an explanation of its functions and responsibility. The person responsible for the implementation of this law in each public authority must also submit a report regarding freedom of information requests received by the authority, but he/she is entitled to publish this report separately. Section 5 of the **Freedom of Information Regulations, 1999** requires that the annual report be published no later than July 1st of the same year. Section 6 further requires that the report include, among other details, the annual budget for the past and current year and a breakdown of expenditures in the past year according to the budget items. Section 8(a) provides that an annual report of the public authority must be open for public inspection at the headquarters of the public authority, as well as in its district

offices, if any. In addition, Section 8(d) requires a government ministry to post a copy of its annual report on the website of the Ministry. Other public authorities that have a website are required to post a copy of their annual report online within a year of operating the website.

Ensure that effective system of accounting and auditing is put in place and that there is effective oversight over the budgetary revenue and expenditure with regular training and accreditation requirements for government accountants and auditors;

Israel has a robust system of accounting standards, designed to ensure accurate calculation of State revenues and expenditure. To complement this, and to enhance the integrity of accounting, various laws create a set of comprehensive requirements regarding timely reporting on fiscal matters and documenting reports. The falsification of such documents is an offence. The Minister of Finance can prescribe regulations in regard to the implementation of the Foundations of the Budget Law including in matters relating to state accounting and management of public finances (Section 50(a)).

The State Comptroller conducts audits to ensure that all expenditures are within the scope of legal appropriation, that revenues are received according to the law and that each expenditure or revenue is accompanied by appropriate documentation (State Comptroller Law, Section 10). As mentioned above, all audited bodies must submit to the State Comptroller an annual report on their revenues and expenditures, and the Minister of Finance is obligated to submit to the State Comptroller a comprehensive annual report on the revenues and expenditures of the State.

In addition to audit reports published concerning the annual reports submitted by the Minister of Finance in accordance with the Law, the State Comptroller includes in its auditing plan various audits connected to the revenue and expenditure of specific governmental bodies and companies. The findings of such audits, such as reports concerning the departments within municipalities dealing with expenditures, are made public in the State Comptroller's Annual Reports.

As noted, government companies and their subsidiaries are required to submit to the Government Companies Authority, on an annual basis, audited financial reports including declarations of the managers and a directors' report, a report on the work of the Board of Directors, internal audit and internal controls and a detailed budget performance report (**Government Companies Law**, **1975**). A "government company" is defined in Section 1(a) of the Government Companies Law as one in which more than half of the voting power at general meetings, or the right to appoint more than half of its directors, is held by the State, or by the State together with a government company or with a subsidiary thereof.

Ensure that effective and efficient system of risk management and internal control is put in place, with clear allocation and description of the roles and responsibilities and description of how the offices responsible for risk management and internal control maintain, organize and store records;

Israel recognizes the importance of employing effective and efficient systems of risk management and internal controls in public governance. The Israeli government,

through its Ministry of Finance, has established comprehensive risk management and internal control systems. According to the **Internal Audit Law, 1992,** every government entity must conduct internal controls by an internal auditor. The internal auditor examines, inter alia, the management of assets including accounts, moneys and investments. According to the Law, the internal auditor of the Accountant General's Department in the Ministry of Finance is responsible for the internal control in regards to the implementation of the State budget by the different accounting units of the government Ministries.

It should be noted that there is still a need to consider the implementation of a risk management methodology in government offices and government financing mechanism as a whole. The adoption of internationally recognized accounting standards, as described above, is one of the steps intended to enhance the sustainability of Israel's public financing system.

Provide for corrective action in case of failure to comply with the legal requirements, with description of the procedure for oversight and implementation.

Basic Law: The State Economy; the Internal Audit Law; the Foundations of the Budget Law, 1985; and the State Comptroller Law, all provide for review and supervisory procedures which are used as a basis for corrective actions in case of failure to comply with the legal requirements. Additionally, several general mechanisms apply to the conduct of public officials responsible for management of public affairs.

Public officials who knowingly fail to abide by the procedures relating to the adoption of the budget or who order others to do so can be subjected to disciplinary action (Foundations of the Budget Law, Section 34). The Law further imposes similar liability on senior government officials, when the disciplinary offence was committed by a non-senior official, if the senior official cannot prove either that the offence was committed without his/her knowledge, or that he/she took reasonable measures to prevent it (Foundations of the Budget Law, Section 36).

Additionally, an audit by the State Comptroller detecting unexplained discrepancies may result in a report to the relevant minister, the Prime Minister, or to the Knesset's State Control Committee which may decide to establish an inquiry commission to investigate the matter. If there are grounds to believe that criminal conduct has occurred, this must be reported to the Attorney General who then informs the State Comptroller and the Knesset's State Control Committee of the chosen approach to handle the matter (State Comptroller Law, Section 14). Additionally, every audited body must appoint a team to correct deficiencies uncovered by the State Comptroller (Section 21A of the Law). An employee of an audited body who is responsible to correct a deficiency and fails to do so without reasonable justification, is guilty of a disciplinary offense (Section 21C of the Law).

Similarly, an internal auditor must report to his/her supervisor (as defined specifically in a government decision) or to the State Comptroller any findings regarding the possibility of criminal conduct (Internal Audit Law, Section 11). Failure to appoint an internal auditor without reasonable justification, the appointment of an incompetent internal auditor and interference with the conduct of an internal audit are criminal

offenses, each of which may result in the imposition of fines (Internal Audit Law, Section 15).

According to Section 43(b) of the Foundations of the Budget Law, contracts formulated by a state entity, which require spending more than NIS 960,000 (approx. 231,000 Euro), and are not budgeted in the Budget Law for the year in which the contract was signed, will become void.

There are sanctions in case of misuse of funding assistance given to public institutions in response to subsidy requests from the government. In addition to termination of the funding assistance, additional sanctions are available. The Ministry of Finance also has the authority to conduct financial supervision over recipients of such funding assistance, including on-site visits when necessary.

According to Section 29 to the Foundations of the Budget Law, the public sector is subjected to general rules and limitations regarding employment conditions and salaries. Section 29(b) subjects all public entities to the supervision of the Minister of Finance. This authority has been delegated to the Director of Wages at the Ministry of Finance, and it empowers him/her to intervene with the labor and employment policies in these institutions (although as independent entities, they remain responsible for their own budget) and exercise his/her discretion to cancel labor contracts. This Section also authorizes the Director of Wages to instruct the budgeted institution to file a suit for the restitution of monies paid in violation of the relevant regulations, based on. Such suits are filed with the Labor District Court which reviews the decision according to the general principles of the administrative law.

II - Information requested from States parties and signatories in relation to measures to prevent money-laundering (art. 14)

Article 14. Measures to prevent money-laundering

1. Each State Party shall:
(a) Institute a comprehensive domestic regulatory and supervisory regime for banks and non-bank financial institutions, including natural or legal persons that provide formal or informal services for the transmission of money or value and, where appropriate, other bodies particularly susceptible to money laundering, within its competence, in order to deter and detect all forms of money-laundering, which regime shall emphasize requirements for customer and, where appropriate, beneficial owner identification, record-keeping and the reporting of suspicious transactions;
(b) Without prejudice to article 46 of this Convention, ensure that administrative, regulatory, law enforcement and other authorities dedicated to combating money-laundering (including, where appropriate under domestic law, judicial authorities) have the ability to cooperate and exchange information at the national and international levels within the conditions prescribed by its domestic law and, to that end, shall consider the establishment of a financial intelligence unit to serve as a national centre for the collection, analysis and dissemination of information regarding potential money-laundering.

2. States Parties shall consider implementing feasible measures to detect and monitor the movement of cash and appropriate negotiable instruments across their borders, subject to safeguards to ensure proper use of information and without impeding in any way the movement of legitimate capital. Such measures may include a requirement that individuals and businesses report the cross-border transfer of substantial quantities of cash and appropriate negotiable instruments.

3. States Parties shall consider implementing appropriate and feasible measures to require financial institutions, including money remitters:
(a) To include on forms for the electronic transfer of funds and related messages accurate and meaningful information on the originator;
(b) To maintain such information throughout the payment chain; and
(c) To apply enhanced scrutiny to transfers of funds that do not contain complete information on the originator.

4. In establishing a domestic regulatory and supervisory regime under the terms of this article, and without prejudice to any other article of this Convention, States Parties are called upon to use as a guideline the relevant initiatives of regional, interregional and multilateral organizations against money-laundering.

5. States Parties shall endeavour to develop and promote global, regional, subregional and bilateral cooperation among judicial, law enforcement and financial regulatory authorities in order to combat money-laundering.

1. Please describe the measures your country has taken to implement this provision of the Convention.

Establish a comprehensive domestic regulatory and oversight regime to deter and detect money-laundering;

Israeli Prohibition on Money Laundering Law, 2000 (hereinafter: PMLL or the Law), focuses on four levels:

1. Prevention

The PMLL and relevant orders (which regulate the obligations of identification and verification, reporting obligation and record keeping), establish a regime for prevention of money laundering in the Israeli financial sector. The PMLL obliges financial institutions to appoint a corporate compliance officer, and to take other anti-money laundering measures including the proper identification of all customers and performance of continuous due diligence, record keeping and reporting of transactions and customers' irregular activities to the Israeli Money Laundering and Terror Financing Prohibition Authority (hereinafter: IMPA) in certain circumstances. The main objective of the PMLL is to obstruct the flow of laundered funds and proceeds of crime into the legitimate economical and financial system and to enable effective and conclusive investigation by law enforcement authorities of an offense of money laundering that relates to suspicions of serious criminal offences.

2. Punishment

The PMLL establishes a penalty of 7 or 10 years' imprisonment for certain criminal offences of money laundering. The gravity of the penalty reflects the legislators' view that money laundering facilitates serious crime by enabling the culprits to mitigate certain risk associated with their activities. The penalty for an offence of money laundering is imposed in addition to the sanctions imposed on the offender for perpetrating the serious crime of which he/she is found guilty.

Sections 3 and 4 of the PMLL prescribe the principal offences: Section 3(a) of the PMLL defines money laundering as "performance of a transaction in prohibited a asset with the object of concealing or disguising its source, the identity of the true holders of the rights, or the location, movement or disposition in respect of such an asset." The penalty for such an offence is up to 10 years imprisonment.

"Prohibited Asset" is defined as an asset derived directly or indirectly from the commission of a "serious crime" that was used to facilitate the commission of a predicate offence, or an asset that was merged with prohibited asset as stated above. The term "serious crime" is defined by law as "predicate offense" as detailed in the first Schedule to the PMLL, and includes murder, gambling, bribery, financing of terrorism, dangerous drugs offences, blackmail, embezzlement and theft, etc.

Section 3(b) of the PMLL includes in the definition of "money laundering", the performance of a transaction in any asset or provision of false information about it with the intent to prevent a report about the transaction by a financial institution to IMPA, or with intent of avoiding the declaration of the importation of funds into Israel or funds exportation from it or with the intent of causing the submission of an erroneous report. According to case law, the assets that are subject to such intent to avoid reporting do not necessarily need be prohibited assets. The penalty in respect of this offence is up to 10 years imprisonment.

Section 4 of the PMLL prescribes the prohibition of involvement in a transaction of prohibited property (that originates in the offence) in respect of the types of assets listed in the Second Schedule of the PMLL and the values specified therein (monies in excess of 500,000 NIS (approx. 120,600 EUR)) or a transaction with real estate, works of art, precious stones and metals, or bearer-securities, and other specified items if their value is 150,000 NIS (approx. 36,000 EUR) or more, cumulated within a period of three months). The penalty in respect of this offence is 7 years imprisonment.

3. Assets Recovery

The PMLL enables the State of Israel to seize and confiscate property which was either the object of the offence, used or intended to be used to either commit the offence or facilitate the commission of the offence, or obtained or intended to be obtained, directly or indirectly, as payment for the offence or a result of the commission of the offence. Such assets can be recovered by the State. Assets seizure and confiscation is not a substitute for the punishment related to the serious offence (imprisonment or fine) – it is imposed in addition to it. The PMLL directs the Courts to order the seizure and confiscation of an offender's assets in an amount equal to the value of the property derived from the commission of a predicate offence or property that served in the commission of such an offence or an asset which enabled it to be perpetrated or was designated for such purpose. Courts may also order the seizure of property gained as fruit of the committed predicate offence or as a result of commission of the offence, or that is designated for such a purpose. The conceptual justification for this is that a right in property which was obtained as a result of an offence must not be acquired and that an offender must not be allowed to benefit from his/her crimes.

Under certain circumstances, the Court may order the **confiscation of property in civil proceeding**s in cases in which the property has been obtained, directly or indirectly, through an offence under Sections 3 or 4 of the PMLL, or as payment for such an offence or property which was the object of the offence, if the person suspected of committing the offence is not permanently in Israel or cannot be located, and it is impossible to submit an indictment against him/her, or if the property has been discovered after the conviction.

4. International Collaboration

The PMLL empowers IMPA to collaborate and share information with peer financial intelligence units of other countries. Collaboration of this type provides assistance to the law enforcement authorities in their investigations, particularly in cases of trans-national serious crimes and organized crime networks.

Show that, at minimum, banks and non-bank financial institutions ensure effective customer and beneficial owner identification, monitoring of transactions accurate record-keeping, and have in place a reporting mechanism on suspicious transactions;

Israeli Anti-Money Laundering (hereinafter: AML) legislation applies to banking corporations, members of the stock exchange, portfolio managers, insurers and

insurance agents, provident funds and companies managing provident funds, the postal bank, money service business and dealers in precious stones. Sections 7 and 8A of the PMLL grant authority to the various regulators to define, by official order, the obligations of such financial institutions and regulated sectors. Orders requiring customer identification (including identification of beneficiary owner), record keeping, and reporting IMPA have been issued in respect of each of the above business sectors. AML legislation applies to Business Service Providers (attorneys and accountants) (hereinafter: BSP) also requires identification and record keeping.

All the above mentioned institutions have specified supervisory authorities. The following is a list of the supervisory bodies:

- The Bank of Israel (BOI) - Corporations and auxiliary banking corporations.
- The Israeli Securities Authority (ISA) - Stock exchange members, portfolio managers (and in the future also trading floors and foreign exchange ("Forex")).
- The Ministry of Finance (MOF) - Insurance companies, provident funds, money services providers.
- The Ministry of Communications (MOC) - the Postal Bank.
- The Ministry of Economy (MOE) - merchants in precious stones.
- The Ministry of Justice (MOJ) - BSP.

Each of these supervisors is granted authority to take actions against financial institutions that fail to fulfil their AML/CFT (Combating the Financing of Terror) obligations under the PMLL and associated orders as well as the various supervisory acts (see below). They also have been enhancing their supervisory oversight by issuing regulations, circulars, and letters that require more details to comply with PMLL. The Ministry of Justice and Ministry of Economy, as supervisor bodies, are currently inactive since the relevant orders have not yet come into force.

Requirements of Identification and Customer Due Diligence under the PMLL:
Customer due diligence (CDD): Financial institutions are obligated to set policy and establish procedures for "customer due diligence" prior to opening accounts and to the defining each customer's risk category. "Customer due diligence" consists of the analysis of the nature of the customer's business practices and habits, as well as continuous monitoring of his/her financial activities in order to identify deviation from the customer's profile. A financial institution is also required to perform continuous due diligence in respect of customers' accounts classified as high risk customers by use of enhanced identification aids, analysis of the customer's personal and financial background and reputation as well as the classification of the foreign country from which his/her funds originated or to which they were transferred, the types of transactions, etc.

Record Keeping: Financial institutions are required to implement procedures for record keeping and the management of all the customer's identification and

verification of documents, as well as the study of the nature of his/her business, including the source of the information, the period of time in which the relevant information must be preserved, the type of customer and the extent volume of financial activity in the account. The financial institute is required to update periodically the said information.

Reporting Obligations of Financial Institutions to IMPA: The reports received from the above regulated financial institutions are divided into two types: the first consists of reports of certain transactions specified by size and type (CTRs). The second type consists of reports perceived by the financial institutions as unusual (UTRs).

In addition, the Supervisor of Banks issued a detailed compliancy AML policy which was intended to the Banking sector and was set out in the Directive 411 of the Guidelines for the Proper Conduct of Banking Business – Money Laundering Prevention, Customer Identification and Record Keeping (hereinafter: Directive 411). Directive 411 includes provisions aimed to ensure that banking corporations implement thorough customer due diligence and ongoing monitoring of customer activities. The directive also includes detailed reference to so called Politically Exposed Persons (PEP).[2]

Administrative enforcement: Chapter Five of the PMLL empowers regulators and supervisory bodies to establish sanctions committees with the power to impose financial sanctions in respect of the supervised entities for non-compliance and breach of provisions of the Law and the orders, which deal with the obligations of identification and verification, reporting to IMPA, record keeping, appointment of a compliance officer. In such cases, as distinct from a criminal offence, the violation does not require proof of intention to commit a criminal act (*mens rea)*. In recent years the use of administrative enforcement tools has increased given their speed and efficiency.

Composition of the sanctions committees: a sanctions committee is composed of two representatives of the supervisory body and a lawyer appointed by the Minister of Justice (the Minister of Justice's appointment includes, usually, a representative of IMPA). According to Court decisions and to the proper conduct of the administrative process and avoidance of conflict of interests, individuals who were directly engaged in the investigative process which was a preliminary to the decision to convene the Committee may not sit on the Committee.

Procedure of Imposition of a Sanction on a Financial Institution / Supervised Entity: The PMLL imposes obligations of identification, reporting to IMPA and appointment of a person assigned with the financial institute's responsibility for fulfill the obligations, on banks, credit card companies, trust companies, stock exchange members and portfolio members, insurance companies, insurance agents, provident funds, currency services providers and the Postal Bank. The supervisory bodies carry out periodic inspections of the financial institutions, to supervise their

[2] PEP is defined in Section 21 of Directive 411 as "a non-resident who holds a senior public position"; including head of state, state president, mayor, judge, member of parliament, member of government, high-ranking military or police officer, and any official of said kind even if differently titled.

compliance regarding their obligations in the sphere of anti-money laundering and the financing of terrorism.

Wherever the regulator finds that the provisions of the PMLL or the Order are not being fully complied with in a financial institution/supervised entity, it may order the convening of a committee for the imposition of a financial sanction on the financial institution/supervised entity. The administrative process could be simultaneous with criminal proceeding.

Amount of the sanction: When the sanctions committee considers the amount of the financial sanction, it considers the arguments and justifications that are submitted in writing or verbally.

The level of the financial sanction is prescribed in the PMLL and in its regulations and is determined by a number of criteria, such as whether it is first violation or a recurrent one (a violation committed within two years of the previous violation in respect of which a financial sanction was imposed on the offender), the amount of money involved in the violation, whether it is a continuing violation or an aggravated violation, collaboration of the person or entity with the committee, actions taken to prevent commission of the violation, to mitigate or to cancel the violation and its ramifications, the circumstances of the case and personal circumstances and the nature of the events and its circumstances.

Appeal to Judicial instances: An appeal can be made to the Magistrate's Court against a decision of the Committee to impose a financial sanction, within 30 days of the decision.

Extend the requirements mentioned above to other bodies particularly susceptible of money-laundering;

The PMLL applies the obligations mentioned above to various financial institutions: banking corporations, portfolio managers, insurers and insurer agents, members of the stock exchange market, money service business, provident funds and companies managing provident funds and the postal bank.

On 15.7.2014 the Knesset approved the **Prohibition of Money Laundering Order (Identification, Reporting and Record-Keeping Obligations of Dealers in Precious Stones to Prevent Money Laundering and the Financing of Terrorism), 2014**. The enactment of the Order followed the amendment of the PMLL. The PMLL and Order set forth requirements for customer due diligence, record keeping, on-going monitoring and reporting requirements.

In 2014 Israel also adopted an amendment to the PMLL (Amendment No. 13) and enacted an order, both of which apply AML/CFT obligations on BSP. The amendment imposes AML/CFT obligations (customer diligence obligations, Know Your Customer procedure (hereinafter: KYC Procedure), identification, verification and record-keeping) on lawyers and accountants who engage in financial activities on behalf of their clients. The law requires, with relation to certain financial activities, that the BSP conduct Customer Due Diligence obligations (KYC procedure, identification, verification) and record and keep documents. Although no

reporting obligations were applied, the PMLL specifies that if it is determined by a disciplinary action that the business service provider is prohibited from performing a transaction which may constitute a violation of the PMLL, and the regulator suspects that the business service provider breached an ethical rule, the regulator may request the disciplinary authorities to initiate enforcement proceedings regarding the disciplinary violation according to the **Bar Association Law, 1961** and the **Accounts Act, 1955**. Accordingly, the Israeli Bar Association issued an ethical rule which determines that when a lawyer is asked by a customer to perform a transaction which he/she considers to be a high risk activity for ML/TF, he/she should not perform the transaction, and that doing so constitutes infringement of the ethical rule warranting the imposition of disciplinary sanctions. A similar rule for accountants was drafted and submitted to the Minister of Justice for approval.

Establish financial intelligence units (FIUs);

Section 29 of the PMLL established the Israeli FIU – IMPA. IMPA's mandate as set forth in the PMLL includes the authority to manage the data base, analyze the information in the database and ensure its security and to decide on dissemination of intelligence information (Section 29(b) of the PMLL). The mandate has been interpreted broadly to ensure proper implementation of the PMLL.

The added value of IMPA's database resides in the qualitative and unique financial information it contains, which facilitates the identification of suspicions of money laundering and financing of terrorism by means of a combination of information from various sources, including information received from corresponding foreign authorities overseas. IMPA acts as a center of research and legal information on the subject of money laundering and the financing of terrorism, and its employees are specialists in the analysis of raw financial information in terms of money laundering and financing of terrorism.

Independent Administrative Intelligence Authority: IMPA was established in accordance with the administrative intelligence authority model, excluding powers of investigation. This was in order to protect in the best possible way, and in the public interest, the right to privacy of individuals and private entities on the one hand, and prevent the exploitation of financial institutions for the purposes of money laundering on the other. IMPA constitutes a buffer between the financial sector that reports to IMPA and the investigative authorities: it identifies suspect financial transactions and passes relevant information to the enforcement authorities in a strict and controlled manner, as is provided by statute, and only does so when an actual suspicion of money laundering or financing of terrorism exists.

Ensure that agencies involved in anti-money laundering can cooperate and exchange information at national and international levels;

Information sharing on the international level: Section 30(f) of the PMLL allows for dissemination of information between authorities and their counterparts in other states.

The Minister of Justice has delegated to the head of IMPA the authority to receive requests under the **International Legal Assistance Law, 1998** and the Attorney

General has delegated to the head of IMPA the authority to submit requests for legal assistance. As such, IMPA operates today as "a competent authority" for the purpose of the submission and receiving of requests from other states, in accordance with the Legal Assistance Law.

The Attorney General Guidelines of March 7, 2006, state that IMPA may provide information to a counterpart authority in another country not only if there are reasonable grounds to suspect that the information relates to a specific predicate offence but also if the information includes indications of money laundering or terrorist financing typologies.

Section 30(f) of the PMLL permits IMPA to transmit information to a foreign FIU, even in the absence of an international agreement. Nevertheless, IMPA devoted great efforts to sign MOUs with its counterpart FIUs. IMPA views the efficient transferring of information between countries as an important part of the global fight against money laundering. Therefore, IMPA welcomes information exchange requests and has cooperated accordingly.

Information sharing on the national level: IMPA is authorized to share financial and intelligence information from its database, spontaneously or by request, with the Israeli Police and other relevant security agencies.

IMPA is authorized to share information with any person competent to receive information under the PMLL, for the purpose of preventing any offence thereunder, defending state security, combating terrorist organizations and for the purposes of implementing the **Trading with the Enemy Ordinance** and the **Combating the Iranian Nuclear Program Law**, 2012 (Part 1 of Chapter 2 of the law).

According to 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), 2006** (hereinafter – the AML Regulations), the Israel Police or the General Security Services are authorized to share information received from IMPA with additional authorities specified in the AML Regulations, for the purpose of implementing the PMLL or the **Prohibition on Financing of Terror Law, 2005** or for the purpose of investigating additional offences set forth in the Regulations.

As for the financial sector – during 2009 the AML/CFT (Anti Money Laundering/Combating the Financing of Terrorism) Regulators Forum was established in order to increase cooperation, to improve enforcement, and to ensure that AML/CFT issues are consistently implemented across the whole financial sector. As part of its activity, a memorandum of understanding between regulators was signed. The MOU 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 increasing the confidence of 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.

Coordinated Interagency AML/CFT Strategy

Ever since Government resolution No. 4618[3] (dated 01.01.2006), all the relevant agencies (intelligence, investigative, law enforcement, and regulatory) have been working together in a joint, risk based, prioritized effort to combat money laundering.

In this resolution, the Israeli government prioritized the goal of targeting illicit proceeds in the combat against serious and organized criminal activity. According to the resolution, all of the relevant agencies are required to operate in coordination with one another, subject to program objectives and a work plan approved by the Executive Committee lead by the Attorney General, together with the State Attorney, the Chief of Police, the Head of the Tax Authority, and the Chairman of the Securities and Exchange Commission.

A lower level inter-agency implementation committee was set up and charged with the task of implementing the executive committee's directives into an operational mechanisms and performance measurements. The implementation committee is chaired by the Head of Criminal Investigation Department at the Israel Police, and its members include the heads of various relevant police units and district attorney's together with counterparts from the Tax Authority, the Prison Service, the Securities and Exchange Commission, the Anti-Trust Authority, as well as the Head of IMPA. The implementation committee operates through several sub committees:

- Sub-committee for operational coordination and overview of the task forces – charged with the oversight of the task forces and the review of their effectiveness.
- Sub-committee for intelligence – charged with the oversight of the fusion center and identifying, on a risk-based approach, the future targets and areas of focus of the task forces
- Sub-committee for legal issues – charged with identifying legal barriers and impediments and promoting their amendment.
- Sub-committee for training – tasked with training the task force personnel and enhancing multi-agency training regarding financial investigation, money laundering and forfeiture.

[3] On January 1, 2006, the government resolved to designate the fight against serious and organized crime and the products thereof as a long-term goal, resulting in intensified efforts to further this objective. It was decided, as a matter of policy, to combine the capability of all the professional agencies concerned, through the establishment of joint forums which would play a leading role in attaining the goals of the program and strengthen the collaboration between the enforcement authorities. In the context of the decision, an oversight team was established to establish policy on the subject. The team is headed by the Attorney General and its composed of the State Attorney, the Inspector General of Police, the Director of the Tax Authority and Chairman of the Securities Authority. The team maps out the combined policy in this sphere with the intention of promoting a combined effort by the relevant enforcement, legislation, regulation and intelligence agencies.

The sub-committees meet regularly and discuss issues regarding enhancement of the effectiveness of the interagency combat against serious and organized crime and money laundering.

The implementation committee has set a multi-annual work-plan for combating serious and organized crime and money laundering. The main highlights of this plan are:

(1) Nine multi-agency task forces – each assigned to a specified criminal organization or phenomenon, and comprised of officials from the Israel Police, the Tax Authority, and the State Attorney's Office, with accompanying IMPA personnel.

(2) Intelligence Fusion Centre – comprised of permanent professional members of the Israel Police, the Tax Authority and IMPA which have direct access to their databases, acting to cross-reference information for the purpose of exposing multi-domain criminality and enabling inter-agency enforcement initiatives.

(3) AML staff units in the Police and the Tax Authority – augmented and restructured to provide the necessary support, training and IT development services for optimal field implementation.

(4) Designated financial teams in each of the regional offices of the state attorney's office.

(5) Academy for Interdisciplinary Enforcement Studies – the academy serves as an institution for the research and learning of systemic enforcement models, performance measurements, as well as inter-agency solutions to complex tactical challenges. The academy actively disseminates policy and research product to decision makers, and lessons for intra-agency doctrine and procedure.

Become part of anti-money laundering (AML) networks (such as FATF, FSRBs, Egmont Group);

EGMONT

IMPA has joined the EGMONT Group, as part of its overall goal of enhancing international cooperation as well as promoting the exchange of information. IMPA takes an active part at the EGMONT Group meeting and its committees. The EGMONT "Principles for Information Exchange between Financial Intelligence Units for Money Laundering and Terrorism Financing Cases" are reflected in Section 30(f) of the PMLL.

MONEYVAL

In 2006, the Committee of Ministers of the Council of Europe accepted Israel as an "active observer" in Moneyval – the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism a FATF-style regional body. In 2013, Israel received voting rights in Moneyval.

FATF

Following the review taken by the Ad Hoc Group on Membership of the FATF, the FATF has decided on June 2014 to expand its membership and has identified Israel as a potential candidate for FATF membership. According to the FATF policy on Membership, Israel (through its Minister of Justice and the Minister of Finance) has committed in writing on September 2014 its endorsement of the FATF Recommendations and processes and committed to undergo a mutual evaluation. The next step of the process is a high-level visit to Israel by FATF to verify and confirm the commitment with the government and relevant authorities and evaluate the country's compliance with the FATF standards.

Require individuals and businesses to declare/disclose cash border transportation and other negotiable instruments;

Section 9 of the PMLL requires a customs declaration from every person who carries cash money or assets that are equivalent to cash (e.g., bank drafts and travelers' checks), when entering or exiting the State of Israel. The declaration is obligatory if the total value carried by such a person exceeds the reporting threshold. This threshold stands currently at NIS 100,000 (approx. 24,000 EUR) (except for the "Erez" crossing to the Gaza Strip where the threshold stands at NIS 12,000 (approx. 2,900 EUR). This threshold may be reduced to NIS 50,000 (approx. 12,000 EUR), in a future amendment of the PMLL which is currently being drafted. A person who fails to submit a declaration, or falsifies one, may be subject to an administrative sanction or to criminal proceedings.

Require financial institutions, including money remitters to meaningfully identify originator of electronic transfer of funds; maintain such information throughout the payment chain and apply enhanced scrutiny to transfers lacking complete information on originator or beneficiary

Financial institutions are prohibited from performing a wire transfer from Israel to an overseas destination or a wire transfer from overseas to Israel,[4] without recording, in each of the transfer documents, the details of the transferor, including his/her name, account number and address; and also the details of the transferee, including his/her name and account number. If the transfer is not made from the account of the transferor or to it, the financial institution shall record the identity number of the person initiating the transfer or the transferee, as applicable.

If the wire transfer is carried out through a correspondent account, the financial institution shall ascertain that all the information about the transferor is sent to the respondent institution.

Refer to or use as a guideline regional or multilateral anti-money laundering initiatives;

IMPA has issued an internal procedure concerning best practices of work with foreign FIUs which adopts the EGMONT "Best Practices for The Improvement of

[4] For some financial institutions, it is only for wire transfers of more than 5,000 NIS (approx. 1200 EUR).

Exchange of Information Between Financial Intelligence Units for Money Laundering and Terrorism Financing". This internal procedure sets the mechanism of IMPA's work with foreign FIUs, and is used continuously through IMPA's daily work.

Israel adopted the FATF's public statements on countries that have AML/CFT strategic deficiencies, to the AML/CFT orders which apply to financial institutions. It uses, on a regular basis, the guidelines, best practices and typology papers issued by the FATF, MONEYVAL and the EGMONT group.

Demonstrate use of mutual legal assistance, administrative or judicial cooperation in cases of money-laundering among law enforcement, judicial authorities and financial regulatory authorities;

Israel assists other countries in matters relevant to money laundering offences via mutual legal assistance requests, even when there is no bilateral or multilateral agreement for mutual legal assistance in criminal matters between the State of Israel and the requesting country. Israel also provides assistance in matters of extradition when there are no conventions for extradition, based on ad-hoc agreements, when possible.

The Department of International Affairs in the Office of the State Attorney is the designated authority dealing with outgoing requests for legal assistance in criminal matters. The Department drafts and submits requests for legal assistance on behalf of the State of Israel and advises the police and other relevant authorities with regard to incoming requests. Due to the growth in international criminal activities, the Department of International Affairs is involved with many cases that result in requests for legal assistance.

The Legal Assistance Police Unit deals with incoming requests unless they are of a nature requiring an investigation by a specialized authority, e.g. the Israel Securities Authority. In addition, it has been providing legal assistance and cooperating with foreign judicial authorities and police for many years, including matters relating to money laundering.

The Bank of Israel – The Banking Supervision Department established informal contacts with the supervisory authorities in other countries. Home-host relations are formulated between banking corporations in Israel and worldwide, including branches, representatives and offices. The cooperation includes various issues including AML/ CFT. Cooperation between the Banking Supervision Department and other countries also exists where issues regarding appointment of directors and executive management are in question.

The Israel Securities Authority – The Securities Law, 1988 enables the ISA to cooperate and provide assistance to foreign securities authorities with which it has signed a MOU. Once the MOU is signed, non-public information may be released by the ISA to a foreign authority, subject to certain conditions as outlined in the Securities Law.

The ISA is signatory to 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.

Capital markets, insurance & savings division – Section 50B of the **Control of Financial Service (Insurance) Law, 1981** authorizes the supervisor of the insurance market to submit information and documents to a foreign competent authority to fulfil its function while controlling insurers and insurance agents.

The Postal Bank – The Postal Bank has agreements with Western Union and Euro Giro for transferring money from Israel and to Israel. The W.U. and E.G. are international and are fully supervised companies. Since all of the financial services are confirmed by the Minister of Communication, there is assurance that such cooperation is enclosed in such a contract. The Postal Bank also ensures that a contract will include orders regarding the change of information about the identity of the passer or the receiver accordingly and the transfer amount. All of the relevant information about the transaction should be kept by the Postal Bank for at least seven years.

Regulate cooperation and information exchange with relevant agencies (for instance on matters related to asset declarations, real estate transactions, tax matters).

Additionally to the above mentioned arrangements regarding information exchange with law enforcement authorities and counterparts FIU's, Section 31(a) of the PMLL entitles the IMPA to ask the Tax Authority for information which is required in order to enforce the PMLL and the Prohibition on Financing Terrorism Law. The Minister of Finance, within the framework of his authority, under the tax law confidentiality rules, must review the application as soon as possible in the circumstances, and information which he decides to pass on must be forwarded to the authority without delay.

IMPA also has access to various databases which include financial, administrative and law enforcement information (the Israel Population Registrar, the Israel Companies Registrar, Land registry Bureau, criminal registry etc.).

2. Please outline actions required to strengthen or improve the measures described above and any specific challenges you might be facing in this respect.

Several law amendments are planned to enable IMPA to exchange information with additional authorities: (1) adding tax offences to the PMLL as predicated offences and enabling the exchange of information between the Tax Authorities and IMPA; (2) authorizing IMPA to exchange information with the financial regulators and with the Police Investigation Unit.