

BANK OF ISRAEL

Office of the Spokesperson and Economic Information

Press release

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**Decisions by the Committee for Financial Sanctions on Banking Corporations regarding violations of directives based on the Prohibition of Money Laundering Law and the Banking Ordinance**

The Committee for Financial Sanctions on Banking Corporations (hereinafter: "the Committee") was established under the Prohibition of Money Laundering Law, 5760–2000 (hereinafter: "the Law") as part of enforcement measures concerning the prohibition on money laundering and terrorism financing (AML-CFT). The Committee is authorized to impose financial sanctions on banking corporations (up to NIS approximately 2.26 million per violation) for breaches of the Law, and the orders and regulations issued under it.

The Committee consists of three members: the Supervisor of Banks, Mr. Daniel Hahashvili, (hereinafter: “the Supervisor”) serves as the Chairman of the Committee, and the Committee’s other members are the Head of the Anti-Money Laundering and Terrorism Financing Authority, Attorney Ilit Ostrovitz-Levy, and the Deputy Supervisor of Banks, Ms. Revital Keisar-Stoya.

Additionally, under Section 14h(a)(1) of the Banking Ordinance, 1941 ("the Ordinance"), the Supervisor is authorized to impose financial sanctions for violations of Proper Conduct of Banking Business Directives.

During audit processes conducted by the Banking Supervision Department and AML-CFT control processes carried out by banking corporations, several instances were found where banking corporations violated obligations under the Prohibition of Money Laundering Order (Identification, Reporting, and Record-Keeping Obligations of Banking Corporations to Prevent Money Laundering and Terrorism Financing), 5761–2001 (hereinafter: "the Order") or violations of Proper Conduct of Banking Business Directive 411 on "Management of Anti-Money Laundering and Countering Financing of Terrorism Risks" (hereinafter: "the Directive").

Based on the above, the Committee and the Supervisor decided to impose the following financial sanctions:

1. **Bank Leumi Le-Israel Ltd.** - Violations of Section 8(a)(7) of the Order, for which a financial sanction of NIS 3,300,000 was imposed.

During audit processes conducted by the Banking Supervision Department regarding reports submitted to the Anti-Money Laundering and Terrorism Financing Authority, two violations of Section 8(a)(7) of the Order were found. The bank did not submit reports according to the transaction size for transfers from abroad, where the bank acted both as a correspondent and as the final destination bank for the funds transferred from abroad to Israel. The failure to submit reports in the first period resulted from the bank's interpretation of the reporting obligation, and in the second period, it resulted from a technical failure in the bank's monitoring and control processes. Based on these findings, the Committee decided to impose a financial sanction of NIS 3,300,000 on the bank for the two different periods.

1. **Bank of Jerusalem Ltd.** - Violations of Sections 2a, 9, and 13a of the Order, and Section 32 of the Directive, for which a total financial sanction of NIS 2,850,000 was imposed.

During audit processes conducted by the Banking Supervision Department with regard to the prohibition of terrorism financing, several violations of the Order and the Directive were found at the bank. The bank was found to have violated Section 2a of the Order regarding "Know Your Customer" as two accounts were found where the "Know Your Customer" questionnaires did not reflect the existing activity in the account. Additionally, the bank violated Section 9 of the Order regarding reporting unusual activity to the Authority, with four different violations where the bank did not report unusual activities in four accounts, even though they could be identified as such according to various criteria listed in the second appendix to the Order. Furthermore, the bank committed two violations of Section 13a(3) of the Order regarding the obligation to check against the list. Based on these findings, and considering the actions taken to correct the violations, the Committee decided to impose a financial sanction of NIS 2,600,000 on the bank. Additionally, the bank violated Section 32 of the Directive regarding managing a computerized system to detect unusual activity in all customer accounts and actions not recorded in a customer account, resulting in approximately 1,200 accounts being excluded from the bank's computerized monitoring system. Based on these findings, and considering the actions taken to correct the violation, the Supervisor decided to impose a financial sanction of NIS 250,000.

To view the decision and details of the identified violations, the considerations for the decision, and the reasons for imposing the penalty, see: Decision on Imposing a Financial Penalty for Violations of the Prohibition on Money Laundering Order.

To view the decision and details of the identified violation, the considerations for the decision, and the reasons for imposing the penalty, see: Decision on Imposing a Financial Penalty for Violations of Proper Conduct of Banking Business Directive 411.

1. **Discount Bank Ltd.** - Violations of Sections 2a and 13a(3) of the Order, for which a financial sanction of NIS 2,400,000 was imposed.

During audit processes conducted by the Banking Supervision Department with regard to the prohibition of terrorism financing, several violations of the Order were found at the bank. It was found that the bank violated Section 2a of the Order regarding "Know Your Customer" due to the absence of procedures and work processes related to handling seizure orders. Additionally, two violations of Section 13a(3) of the Order were found, resulting from two separate technological failures, which led the bank to scan the names of counterparties during international transfers against outdated lists. Based on these findings, and considering the actions taken to correct the violation, the Committee decided to impose a total financial sanction of NIS 2,400,000 on the bank.

1. **Citibank N.A.** - Violation of Section 8(a)(7) of the Order, for which a financial sanction of NIS 1,650,000 was imposed.

During internal control and monitoring processes conducted by the bank, it was discovered that the bank never submitted reports according to transaction size as required by Section 8(a)(7) of the Order regarding transfers between accounts of the same company or between accounts of companies belonging to the same group of companies. This resulted from a technical failure in the bank's monitoring and control processes regarding reports to the Anti-Money Laundering Authority. This is a severe and systemic violation that occurred over a long period. Based on these findings, the Committee decided to impose a financial sanction of NIS 1,650,000 on the bank.

1. **HSBC Bank plc** - Violation of Section 8(a)(7) of the Order, for which a financial sanction of NIS 200,000 was imposed.

During internal control and monitoring processes conducted by the bank, it was discovered that the bank did not submit reports according to transaction size as required by Section 8(a)(7) of the Order regarding four transfers from abroad to Israel. This resulted from a technical failure in the bank's reporting system to the Authority. The Committee determined that the source of the violation was local and that it was a low-scale violation. Based on these findings, and considering the actions taken to correct the violation, the Committee decided to impose a financial sanction of NIS 200,000 on the bank.

To view the decision and details of the identified violations, the considerations for the decision, and the reasons for imposing the penalty, see: Decision on Imposing a Financial Penalty for Violations of the Prohibition of Money Laundering Order.