

Jerusalem
June 8, 2022
22LM4463

**Banking Supervision Department
Office of the Supervisor of Banks**

Att: CEOs of the Banking Corporations and Credit Card Companies

Dear Sirs:

**Re: Risks of Entering into Agreements with Entities Listed
on International Sanctions Lists and National Sanctions
Lists of Foreign Countries**

1. Sanctions regimes are administered by foreign countries and various international organizations are complicated regimes in terms of the nature of the sanctions imposed, and have various implications for individuals, business entities, and various financial entities.
2. Exploiting the banking system to circumvent sanctions regimes that were imposed by foreign countries and international organizations exposes the banking corporations to significant risks, including compliance risks, money laundering and terror financing risks, legal risks, and reputation risks.
3. Proper Conduct of Banking Business Directive No. 310 "Risk Management" defines the basic principles for managing and controlling risks based on an integrated perspective. Among other things, this directive provides that risk management should be conducted on the basis of a forward-looking approach that includes the identification of new or emerging risks alongside ongoing monitoring of existing risks. Furthermore, the directive determines that risk management processes will encompass all the risks related to the banking corporation, both quantifiable and non-quantifiable, at the group level. As part of the risk management processes described in this directive, the banking corporations must define a policy and procedures about how they will use international sanctions lists and national sanctions lists of foreign countries, and how the lists will be used in entering into agreements or performing actions with entities designated in such lists.
4. Refusal to approve a transaction, to enter into an agreement, or to terminate an agreement due to implementation of the above policy will be deemed a reasonable refusal to render services for the purpose of the Banking (Service to the Customer) Law, 5741-1981.

5. Actions that the banking corporations will take within the framework of implementing the provisions of this letter, shall be carried out in accordance with their obligations to their customers, taking into account the circumstances and the nature of the actions, among other factors.

Sincerely,

Yair Avidan

Supervisor of Banks