

Financial sanctions imposed for infringements of directives under the Prohibition on Money Laundering Law

10/10/2013

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On October 9, 2013, the Banking Corporations Sanctions Committee regarding the prohibition on money laundering and terror financing decided to impose a financial sanction of NIS 6 million on Cal (Cartisey Ashrai Le'Israel) and to impose a financial sanction of NIS 1.2 million on Leumi Card Ltd. for infringements of directives issued under the force of the Prohibition on Money Laundering Law, 5760–2000. The companies have the right to appeal to a Magistrates Court within 30 days of the decisions.

The Committee decided to impose a financial sanction of NIS 6 million on **Cal** in respect of infringements by the company and a subsidiary, Cal International Ltd., the operations of which were merged into the parent company in 2012. The sanction is based on a Banking Supervision Department examination report which indicated numerous infringements of the Prohibition on Money Laundering (the Banking Corporations' Requirements Regarding Identification, Reporting, and Record-Keeping to Prevent Money Laundering and the Financing of Terrorism) Order, 5761–2001, (hereinafter, "the Order") which occurred primarily during 2007–08. The infringements derived primarily from the disregard by the company and its subsidiary of an Anti-Money Laundering regime, and the non-implementation of the Order's directives of the following types:

1. Deficiencies in demanding identification documentation
2. Failure to verify identification vis-à-vis the Population Registry of bank credit card holders
3. Declarations regarding a beneficiary which were not in accordance with the version appearing in the first addendum to the Order
4. Failure to report activities which require reporting based on transaction type and size (CTRs).
5. Failure to report a large volume of unusual transactions
6. Deficiencies and faults in information transferred to the Israel Money Laundering and Terror Financing Prohibition Authority.

In its decision, the Committee took into account the company's actions to rectify the above faults, and the comprehensive organizational change which took place in the company, including the replacement of the CEO who served in that role during the relevant period.

The Committee decided to impose a financial sanction of NIS 1.2 million on **Leumi Card Ltd.** in respect of infringements by the company of the Order's directives, primarily during 2008–09. The infringements derived primarily from the company's inadequate preparedness in the following types of infringements:

1. Failure to conduct identification verification vis-à-vis the Population Registry of bank credit card holders
2. Declarations regarding a beneficiary which were not in accordance with the version appearing in the first addendum to the Order
3. Failure to report unusual transactions
4. Deficiencies and faults in information transferred to the Israel Money Laundering and Terror Financing Prohibition Authority.

In its decision, the Committee took into account the company's preparations and the company's actions to rectify the above faults.

The Committee emphasizes the importance it attributes to a culture of full compliance with directives and regulations and uncompromising enforcement of an anti-money laundering regime. In addition to setting policies and regulations, the banking corporation must confirm that adequate resources have been allocated to implementing and enforcing the compliance policy.

The Banking Corporations Sanctions Committee is a statutory committee, and is authorized, as part of the means of enforcing the prohibition on money laundering and terror financing, to impose financial sanctions (fines) on banking corporations (of up to NIS 2 million per infringement) for infringements of the law or related orders and regulations. The Committee is headed by Supervisor of Banks David Zaken, and members include the Head of the Israel Money Laundering and Terror Financing Prohibition Authority, advocate Paul Landes.

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