

# Sanctions Committee decision on infringements by Bank Leumi of the Prohibition on Money Laundering Law

28/06/2015

**All Press Releases In Subject:**

[The banking system and banking supervision - data and general information](#)

[Share on facebook](#) [Share on twitter](#) [Share on email](#) [More Sharing Services](#)

On June 28, 2015, the Banking Corporations Sanctions Committee regarding the prohibition on money laundering and terror financing decided to impose a financial sanction of NIS 4.2 million on Bank Leumi Ltd. (hereinafter, "the Bank") for infringements of directives issued under the force of the Prohibition on Money Laundering Law, 5760–2000 (hereinafter, "the Law"). The Bank has the right to appeal to a Magistrates Court within 30 days of the decision.

The infringements and deficiencies are based on the findings of a Banking Supervision Department examination report conducted in 2014 of activities at the Bank. The findings of the examination report indicated several 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 led, as noted, to financial sanctions totaling NIS 4.2 million.

The infringements derived from the Bank's failure to report unusual transactions by customers to the Israel Money Laundering and Terror Financing Prohibition Authority, as well as data missing in information submitted to the Authority. In this regard, the Committee emphasizes several indicators—"red flags"—that could be viewed as unusual activity:

1. As determined in clarifications by the Supervisor of Banks from 2004 and 2013, credit activities that are guaranteed by related parties' deposits (back to back) are high-risk activities, and a banking corporation is to examine their economic logic, in particular when the transactions are financing activity outside of Israel, for nonresidents, and no explanation is provided of the specific transaction's economic logic. It is insufficient to rely on theoretical, possible explanations; rather, a banking corporation must receive explanations and to the extent necessary, supporting documentation as well, of the existence of economic logic for all "back to back" loans.
2. Use of trustee accounts and conducting transfers from several sources abroad, including from offshore countries, when the funds' source and connection to the beneficiaries are not clear.
3. Multiple cash deposits that are not consistent with the banking corporation's knowledge of the customer, and without clarifying the source of the deposited funds.

In its decision, the Committee took into account the Bank's cooperation with the examination process, as well as its actions to rectify the deficiencies.

It is noted that the examination report on which the request to impose sanctions was based was conducted in accordance with the Banking Supervision Department's ongoing work plan, and is not related to the examination process related to the Bank's conduct that led to an agreement with US authorities.

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 for infringements of the Law or related orders and regulations. The Committee is headed by Supervisor of Banks David Zaken, and members include the Deputy Legal Counsel of the Israel Money Laundering and Terror Financing Prohibition Authority, advocate Maya Lederman, and advocate Dror Goldstein from the Banking Supervision Department.