



United States Department of the Treasury  
Financial Crimes Enforcement Network

# FinCEN Advisory

**Subject:  
Transactions  
Involving  
Israel**

**Date:  
July  
2000**

**Advisory:  
Issue 17**

This Advisory is being issued to inform banks and other financial institutions operating in the United States of serious deficiencies in the counter-money laundering systems of the State of Israel. The impact of such deficiencies on the scrutiny that should be given to certain transactions or banking relationships involving Israel, in light of the suspicious transaction reporting obligations of financial institutions operating in the United States, is discussed below.

Israel borders the Mediterranean Sea, Egypt, Lebanon, Jordan, and the West Bank and Gaza Strip. Its population is more than 5.7 million, and its gross domestic product is approximately \$100 billion.

The counter-money laundering regime embodied in the legal, supervisory, and regulatory systems of Israel suffers from serious systemic problems.

- Money laundering is not a crime under Israel's law.
- Financial institutions operating in Israel are not required to report suspicious transactions.
- Financial institutions operating in Israel are not required to maintain complete records of customer transactions.

These deficiencies, among others, have caused Israel to be identified by the Financial Action Task Force on Money Laundering (the "FATF") as non-cooperative "in the fight against money laundering." The FATF, created at the 1989 G-7 Economic Summit, is a 29 member international group that works to combat money laundering.

Israel's banking sector is subject to a generally strong supervisory regime, and the Government of Israel is aware that the deficiencies in its counter-money laundering rules constrain the effectiveness of its efforts to fight money laundering. The Israeli legislature is considering statutory



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changes that would remedy most of the deficiencies noted above; it is expected to enact the changes into law by the end of July. Nonetheless, Israel's legal, supervisory, and regulatory systems at present increase the possibility that transactions involving Israel will be used for illegal purposes.

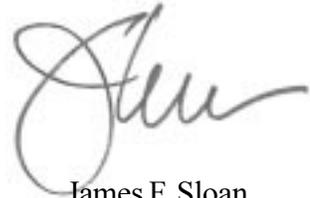
Thus, banks and other financial institutions operating in the United States should carefully consider, when dealing with transactions originating in or routed to or through Israel, or involving entities organized or domiciled, or persons maintaining accounts, in Israel, how the deficiencies of Israeli counter-money laundering controls affect the possibility that those transactions are being used for illegal purposes. A financial institution subject to the suspicious transaction reporting rules contained in 31 C.F.R. 103.18 (formerly 31 C.F.R. 103.21) (effective April 1, 1996), and in corresponding rules of the federal financial institution supervisory agencies, should carefully examine the available facts relating to any such transaction to determine if such transaction (of \$5,000 or more, U.S. dollar equivalent) requires reporting in accordance with those rules. Institutions subject to the Bank Secrecy Act but not yet subject to specific suspicious transaction reporting rules should consider such a transaction with relation to their reporting obligations under other applicable law. All institutions are particularly advised to give enhanced scrutiny to transactions or banking relationships that do not involve established, and adequately identified and understood, commercial or investment enterprises.

It should be emphasized that the issuance of this Advisory and the need for enhanced scrutiny for certain transactions or banking relationships, does not mean that U.S. financial institutions should curtail legitimate business with Israel.

To dispel any doubt about application of the "safe harbor" to transactions within the ambit of this Advisory, the Treasury Department will consider any report relating to a transaction described in this Advisory to constitute a report of a suspicious transaction relevant to a possible violation of law or regulation, for purposes of the prohibitions against disclosure and the protection from liability for reporting of suspicious transactions contained in 31 U.S.C. 5318(g)(2) and (g)(3).

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United States officials stand ready to provide appropriate technical assistance to Israeli officials as they work to remedy the deficiencies in Israel's counter-money laundering systems that are the subject of this Advisory.



James F. Sloan  
Director

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*FinCEN Advisory is a product of the Financial Crimes Enforcement Network, U.S. Department of the Treasury, P.O. Box 39 Vienna VA 22183, (703) 905-3773. For more information about FinCEN's programs, visit the FinCEN web site at <http://www.fincen.gov>.*

*Questions or comments regarding the contents of the FinCEN Advisory should be addressed to the Office of Communications, FinCEN.*

*Information may also be faxed to (703) 905-3885.*