

**Prohibition On Money Laundering (Financial Sanction) 5762 – 2001**

By virtue of the authority vested in me under sections 13(C), 16(A) and 32 (A) of the Money Laundering Law, 5760-2000<sup>1</sup> (hereunder – the Law), in consultation with the Minister for Internal Security, with the Governor of the Bank of Israel with respect to a banking corporation, with the Minister responsible for one of the entities in the Third Schedule to the Law and with the Minister of Finance with respect to the Committee regarding section 15 of the Law, and with the authorization of the Knesset Constitution, Law and Justice Committee, I enact the following regulations:

Chapter A: DefinitionsDefinitions

1. In these regulations:

“further breach” has the same meaning as in section 16(D) of the Law;

“continuing breach” means a breach that was not repaired at the first available opportunity;

“committee” means a committee for the imposing of a financial sanction pursuant to section 13 or section 15 of the law;

“prosecutor” has the same meaning as in section 12 of the Criminal Procedure Law [Consolidated Version], 5742 – 1982<sup>2</sup> – (hereunder – the Criminal Procedure Law).

Chapter B: Implementation by the Committees and their Working Arrangements

Implementation by the committee for a breach of provisions under sections 7 to 9 of the Law, where the person in breach is known

2. (A) The Supervisor shall submit to the committee an application for the imposition of a financial sanction for a breach of provisions of sections 7 to 9 of the Law; where the circumstances stated in regulation 3 exist, a prosecutor may also submit an application to the committee.

(B) An application for the imposition of a financial sanction shall be in writing and shall include the following details:

- (1) name of the person in breach, his identifying particulars and address;
- (2) a brief description of the facts constituting the breach;
- (3) specification of place and time in which the breach occurred, insofar as they can be determined;
- (4) specification of the legislative provisions that were breached.

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<sup>1</sup> Sefer Ha'Chukkim 5760, p. 293.

<sup>2</sup> Sefer Ha'Chukkim 5742, p. 43.

(C) The Supervisor shall notify the person in breach, by registered mail or by personal service, of the fact that he or a prosecutor has filed an application for the imposition of a financial sanction with respect to him; the Supervisor shall specify in the notice the details set out in sub-section (B) and shall determine the period in which the person in breach may submit his claims to the committee; this date shall be at least 24 hours prior to the convening of the committee; a notice pursuant to this sub-section shall be made in accordance with form 1 in the Schedule.

Application with respect to a person in breach of section 9 of the Law, where the charges have been withdrawn

3. Where a prosecutor has withdrawn the charges as stated in section 93 of the Criminal Procedure Law, he may submit an application to the committee for the imposition of a financial sanction upon the accused.

Material that shall be appended to the application

4. An application for the imposition of a financial sanction pursuant to regulations 2 and 3, shall include all of the following:

- (1) In an application filed by the Supervisor – a copy of material supporting the facts claimed in the application;
- (2) In an application filed by a prosecutor – a copy of the information and of the evidence upon which it is based and any material supporting the application; as well as a copy of the Prosecutor's notice to the court of his withdrawal of the charges and of the court's decision in this matter, pursuant to section 94 of the Criminal Procedure Law.

Working arrangements for the committees pursuant to regulations 2 and 3

5. (A) The committee shall consider the application pursuant to regulations 2 and 3 according to the material attached to the application, and with regard for the arguments filed by the person in breach, if such were filed; the committee may also accept additional material in relation to the application, from the bodies involved with checking the breach, but only if this material is made known to the person in breach, unless the circumstances specified in regulation 6 exist.

(B) The committee shall keep a transcript of its hearings and its decisions; the committee shall also follow up on the payment of the financial sanction that it has imposed; the decision of the committee shall be signed by its members.

(C) The person in breach shall submit his arguments in writing; in his arguments the person in breach may include an application to spread out the payment for reasons that he shall specify; where the arguments have not been filed by the date fixed by the Supervisor pursuant to regulation 2(C), the committee may impose a financial sanction and serve the person in breach with a demand for payment, as stated in section 17 of the Law, without further delay.

(D) A committee for the imposition of a financial sanction pursuant to section 15 of the Law shall give its decision within the period in which it may hold monies seized

pursuant to section 11 of the Law; where an application has been filed for the imposition of a financial sanction after withdrawal of charges, the committee shall give its decision within the period specified in section 11; this period shall commence upon the day on which the prosecutor received the court decision pursuant to section 94 of the Criminal Procedure Law; the provisions of this sub-section shall not apply where monies have not been seized or where seized monies have been released with or without a bond.

(E) Where the committee has decided to impose a financial sanction, it shall state the reasons for its decision and shall specify the rate with consideration for the circumstances of the case and pursuant to that stated in chapters D and E; where the committee has agreed to spread out the payments of the financial sanction, the committee shall specify in its decision the rates of the payments and their due dates.

(F) A demand for the payment of a financial sanction shall be sent to the person in breach by registered mail; the provisions of section 19 of the Law shall apply, *mutatis mutandis*, to the payment, including payments that are spread out; the demand for payment shall be according to form 2 of the Schedule.

(G) Where the financial payment has not been made on time, the committee shall direct that it be collected as stated in section 18 of the Law.

#### Confidential information

6.(A) The Supervisor may present before the committee information which, if disclosed to the person in breach, may, in his opinion, harm the security of the State or another important public matter (hereunder - confidential information) without disclosing its contents to the person in breach.

(B) The committee may examine information presented before it as confidential in order to reach a decision on the application of the Supervisor as stated in sub-section (A) and obtain from him additional details concerning the information.

(C) Where the committee has found that the interest in non disclosure of the confidential information presented before it as stated in sub-section (A) has precedence over the need to disclose it for the purposes of justice, it may conduct a hearing in the matter of the person in breach without disclosing to the person in breach the contents of the confidential information, in whole or in part.

(D) Where the committee has decided not to disclose to the person in breach the contents of confidential information, in whole or in part, the committee shall provide the person in breach with details or a summary of the confidential information, insofar as this is possible without harming State security or any other important public interest.

(E) Where the committee has decided to disclose the confidential information, or part of it, the Supervisor may request that the committee not take the said information into account for the purposes of its decision in the matter of the person in breach; where the Supervisor has so requested, the committee shall not consider the said information, and it shall not be provided to the person in breach.

(F) The committee shall notify the person in breach and the Supervisor of its decision in the application under this regulation, and it may determine that the reasons for its decision, in all or in part, shall be confidential.

Collection of a financial sanction for a breach under section 9 of the Law

7. (A) Where a financial sanction has been imposed for a breach under section 9 of the Law and the financial sanction has not been paid on time, the committee may, if monies have been seized following the breach or if a bond has been posted as stated in section 11(D) of the Law, direct that the financial sanction be collected from these monies or from the said bond; where this has been done, the committee shall send notice of such to the person in breach; where the amount of the monies seized or of the bond is higher than the rate of the financial sanction that has been imposed, the committee shall direct that the balance be returned to the person in breach; notice under this sub-section shall be in accordance with form 3 in the Schedule.

(B) Where the financial sanction for breach under section 9 has not been paid on time, in full or in part, and that stated in sub regulation (A) cannot be carried out, the committee may direct that the financial sanction be collected in the manner specified in section 18 of the Law; the committee may also forward a notice of such to the prosecutor for the purpose of filing an information for the breach, and in this case the demand for payment shall be cancelled.

Deposit of the financial sanction in a fund under section 36H(A) of the Dangerous Drugs Ordinance

8. A financial sanction shall be paid to the fund that was set up under section 36H(A) of the Dangerous Drugs Ordinance [New Version] 5733 – 1973<sup>3</sup>; the Director General shall notify the Supervisor and the head of the competent authority under section 29(A) of the Law of receipt of the payment.

### Chapter C: Criteria For Imposition Of A Financial Sanction

Criteria for imposition of a financial sanction for breach under sections 7 and 8 of the Law

9. In an application for the imposition of a financial sanction for breach under sections 7 and 8 of the Law, the committee shall discuss the imposition of a financial sanction with consideration for the following:

- (1) for a breach of provisions under section 7 of the Law:
  - (A) the breach is a first breach;
  - (B) the breach is a further breach;
  - (C) the breach is a continuing breach;
  - (D) the seriousness of the breach or its financial scope;
  - (E) cooperation on the part of the person in breach in disclosing the breach and its consequences;

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<sup>3</sup> LSI, New Version 27, p.526

(F) actions taken by the person in breach to mitigate or nullify the breach and its consequences;

(2) With respect to a breach of the provisions under section 8(A) of the Law, the committee shall consider the time that has elapsed from the date when that section came into force until the appointment of the responsible person, and also whether this is a further breach; moreover, the committee shall take into account the fact that there were breaches under section 7 of the Law during the period when there was no responsible person.

Criteria for imposing a financial sanction for a breach under section 9 of the Law

10. In an application for the imposition of a financial sanction for a breach of provisions under section 9 of the Law, the committee shall decide for the imposition of a financial sanction with consideration for the following:

- (1) the breach is a first breach;
- (2) the breach is a further breach;
- (3) the financial scope of the breach.

#### Chapter E: Rate Of The Financial Sanction

The rate of the financial sanction for a breach under section 7 of the Law

11. The rates of the financial sanction for breach of provisions under section 7 of the Law shall be as set out hereunder:

(1) For a first breach that is not a continuing and serious breach, and the scope of which is not great – the financial sanction shall not exceed half of the financial sanction that may be imposed for the breach under section 14(A) of the Law; where there exists one or more of the criteria specified in regulation 9(1)(E) and (F) – the committee may impose a financial sanction that shall not exceed one quarter of the financial sanction that may be imposed for a breach under that section;

(2) Where there exist one or more of the criteria specified in regulation 9(1)(E) and (F) – the committee may impose for a breach that is not specified in first part of paragraph (1), a financial sanction that shall not exceed half of the financial sanction that may be imposed for a breach under section 14(A) of the Law.

Rate of the financial sanction for a breach under section 9

12. The rate of the financial sanction for a breach under section 9 of the Law that is a first breach the scope of which is not great, shall not exceed half of the financial sanction determined for a breach in section 15 (A) of the Law or of the amount he was obliged to report, whichever is the higher amount; this provision shall not apply to a person who has entered the State of Israel for the

first time on an immigrant visa under the Law Of Return, 5710 - 1950<sup>4</sup> and who has not reported as stated in the fourth schedule.

Deviation from the rate of the financial sanction

13. The committee, for special reasons that shall be specified in writing, may deviate above or below the rate of the financial sanction specified in regulations 11 and 12, if it is justified by the circumstances of the case or the circumstances of the entity of the person in breach.

#### Chapter F: Appeal Against A Financial Sanction

Regional jurisdiction

14. An appeal against a decision of the committee for imposing a financial sanction shall be filed with the Magistrates' court that has regional jurisdiction over the committee that imposed the financial sanction.

The respondent in the appeal

15. The respondent in the appeal shall be the Supervisor that served as head of the committee that imposed the financial sanction that is the subject of the appeal.

Appeal

16. (A) The appeal shall be submitted in two copies according to Form 4 of the Schedule and shall include the following:

- (1) name of the appellant, his I.D. number, and address for service of legal documents, and if he is represented – also the name and address of his counsel;
- (2) name of the respondent and his address for the service of legal documents;
- (3) description of the decision that is the subject of the appeal, the date the decision was rendered or the date it was served upon the appellant;
- (4) details of the factual and legal grounds upon which the appeal is based;
- (5) details of the relief sought by the appellant.

(B) A photocopy of the decision that is the subject of the appeal shall be appended to the appeal.

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<sup>4</sup> Sefer Ha-Chukkim, p.159.

#### Transfer of material to the court

17. When an appeal is filed under this section, the secretary of the court shall notify the respondent that it has been filed, and shall provide the court with the file of the committee in this matter, including transcripts of the committee hearings; in his notice to the respondent, the secretary of the court shall attach a copy of the appeal.

#### Preliminary hearing in the appeal

18. The court may conduct a preliminary hearing in the appeal under this chapter for the purposes of preparation and efficiency of the hearing in the appeal, and it may issue any decision necessary for this purpose; the court may also consider the possibility of concluding the appeal with a settlement agreed to by the parties, and give it the force of judgment.

#### Complimentary provisions

19. The provisions of Chapter 30 of the Civil Procedure Rules, 5744 – 1984,<sup>5</sup> shall apply to an appeal under this chapter, *mutatis mutandis*, where no other provision regarding the said matter exists in these regulations, and where the said matter or anything relating to it is not inconsistent with the provisions of the Law and these Regulations.

#### Chapter G: Miscellaneous Provisions

##### Commencement

19. The commencement of these regulations shall be the day that chapters C and D, as the case may be, enter into force according to section 35 of the Law.

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<sup>5</sup> Kovetz Ha'Takanot 5744, p. 2220

**Schedule**

Form 1  
(Regulation 2(C))

Notice Of The Filing Of An Application For The Imposition Of A Financial Sanction  
(Section 17 of the Prohibition On Money Laundering Law, 5760-2000)

Chairman of the committee for the imposition of a financial sanction for a breach of provisions under section

\_\_\_\_\_  
7, 8 and 9 of the Law<sup>6</sup>

\_\_\_\_\_  
committee address, including telephone and facsimile numbers

To: \_\_\_\_\_  
Identifying particulars and address of the person in breach

\_\_\_\_\_  
File number

1. This is to notify you that on ..... an application was filed for the imposition of on you a financial sanction for a breach of provisions under section \_\_\_\_\_ of the Law  
7, 8 or 9<sup>7</sup>

2. Hereunder is a summary of the facts constituting the breach, with the place and time where the breach occurred:

.....  
.....  
.....

3. The facts detailed above constitute a breach under

\_\_\_\_\_

<sup>6</sup> Fill in as appropriate

<sup>7</sup> Fill in as appropriate



specify the legislative provisions that were breached

4. You may, pursuant to section 17 of the Law, present your case regarding the imposition of a financial sanction to the committee, before it decides to do so. You may also request to spread out the payment for special reasons that you will indicate. You must submit your arguments and your application to spread out the payments in writing, by registered mail, to the address of the committee by the following date .....

5. Please Note: If you do not file your arguments by the said date, the committee may, pursuant to section 17 of the Law, decide upon the imposition of a financial sanction.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of the committee Chairman

Form 2  
(Regulation 5 (F))

Demand For Payment Of A Financial Sanction  
(Section 17 of the Prohibition On Money Laundering Law 5760 – 2000)

The committee for the imposition of a financial sanction for a breach of provisions under section

\_\_\_\_\_  
7, 8 or 9 of the Law<sup>8</sup>

\_\_\_\_\_  
committee address, including telephone and facsimile numbers

\_\_\_\_\_  
File number

To: \_\_\_\_\_  
Identifying particulars and address of the person in breach

1. This is to notify you that on .....this committee decided to impose upon you a financial sanction in the amount of .....New Israeli Shekels, for a breach of provisions under section \_\_\_\_\_ of the Law.

\_\_\_\_\_  
<sup>8</sup> Fill in as appropriate

7, 8 or 9<sup>9</sup>

2. Hereunder are the committee's reasons for imposing the financial sanction and its rate<sup>10</sup>

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Where payments are not spread out<sup>11</sup>:

You must pay the financial sanction no later than thirty days from the day on which you receive this demand for payment by this form at one of the bank branches listed hereunder: \_\_\_\_\_; the payment shall be made out to the fund set up under section 36H of the Dangerous Drugs Ordinance [New Version], 5733 – 1973; a payment slip is attached.

If you do not pay the financial sanction within the aforesaid time, index linkage and interest will be added thereto as stated in section 19 of the Law; the committee may also direct that it be collected in the manner specified in section 18 of the Law.

4. Where payments are spread out:

You must pay a financial sanction in \_\_\_\_\_  
specify number of payments

equal monthly payments in the amount of \_\_\_\_\_ New Israeli Shekels each; the first payment shall be no later than thirty days from the day on which you received this demand for payment.

If you do not pay the financial sanction by the date determined for payment thereof, linkage differentials and interest will be added thereto as stated in section 19 of the Law; the committee may also direct that it be collected in the manner specified in section 18 of the Law.

5. Note to a person in breach of provisions under section 9 of the Law:

(A) This is to notify you that if you do not pay the financial sanction by the date or dates determined for payment thereof, and monies were seized following the breach or a bond was given as stated in section 11(D) of the Law, the committee may collect the financial sanction from the seized monies or the bond that was given.

<sup>9</sup> Fill in as appropriate

<sup>10</sup> Detail the reasons and the rate of the financial sanction pursuant to the provisions of chapters C and D.

<sup>11</sup> Fill in paragraph 3 or 4 Fill in as appropriate

(B) If you do not pay the financial sanction by the date or dates determined for payment thereof, and the financial sanction cannot be realized from monies or a bond as aforesaid in subsection (A), the committee may direct that the financial sanction, or that portion of it that remains unpaid, be collected in the manner specified in section 18 of the Law; alternatively, the committee may cancel the financial sanction and an information shall be filed against you for an offense under section 10 of the Law.

6. For the information of the person in breach:

(A) You may appeal against this demand for payment to the Magistrates' Court that has regional jurisdiction over the committee that imposed the financial sanction, within 30 days from the day on which the demand for payment was received.

(B) An appeal shall not defer payment of the financial sanction, unless the committee or the court rules otherwise.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of the committee chairman

Form 3  
(Regulation 7(A))

Notice Of Deduction Of A Financial Sanction From Monies Seized For A Breach Under Section 9 Of The Law Or From A Bond Given Under Section 11(D) Of The Law

(Section 11(F) of the Prohibition On Money Laundering Law 5760 – 2000)

The committee for the imposition of a financial sanction for a breach of provisions under section 9 of the Law

\_\_\_\_\_  
committee address, including telephone and facsimile numbers

\_\_\_\_\_  
File number

To: \_\_\_\_\_  
Identifying particulars and address of the person in breach

1. This is to notify you that on ..... this committee decided to collect a financial sanction in the amount of ..... New Israeli Shekels, that was imposed upon you for a breach of provisions under section 9 of the Law, and which was not paid on the date determined in the demand for payment that was sent to you on ....., from monies that were seized/the bond<sup>12</sup> that was given as a result of the breach.

2. In the event that the monies seized/the bond given<sup>13</sup> exceeds the rate of the financial sanction imposed upon you, the balance will be forwarded to you, at your request, to a bank account or to an address specified by you.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of the committee chairman

Form 4  
(Regulation 16(A))

Appeal against a decision of the committee for the imposition of a financial sanction  
(Section 20 of the Prohibition On Money Laundering Law, 5760 – 2000)

In the Jerusalem Magistrates' Court

File number

The Appellant

\_\_\_\_\_  
Identifying particulars and address of the Appellant, and identifying particulars and address of his counsel

Versus

The Respondent

\_\_\_\_\_  
Name and position of the chairman of the committee that imposed the financial sanction

<sup>12</sup> Indicate as appropriate

<sup>13</sup> Indicate as appropriate

1. On \_\_\_\_\_ the committee chaired by the Respondent imposed on me a financial sanction in an amount of \_\_\_\_\_ for a breach of provisions under section

\_\_\_\_\_  
7, 8 or 9 of the Law<sup>14</sup>.

The decision of the committee is attached to this appeal and marked \_\_\_\_\_.

2. Grounds for the appeal: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

For the information of the Applicant: the wording of section 20 of the Law

**“Appeal against financial sanction**

- 20. (a) A demand for payment of a financial sanction is subject to appeal before the Magistrates' Court.
- (b) An appeal shall be filed within 30 days of the day on which the demand for payment of the financial sanction was delivered.
- (c) An appeal shall not defer payment of the financial sanction, unless the committee or the court rules otherwise.
- (d) Where an appeal is allowed after the financial sanction has been paid, the financial sanction shall be reimbursed with index linkage and interest from the date of payment until the date of reimbursement thereof.
- (e) The decision of the appellate court shall be subject to a further appeal if leave is granted; such further appeal shall be heard by a single judge.”

\_\_\_\_\_  
Signature of the Appellant

(5762...2001)

Meir Sheerit  
Minister of Justice

\_\_\_\_\_  
<sup>14</sup> Fill in as appropriate