

Press Release

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MONEYVAL publishes its first Evaluation report on Israel

Strasbourg, 17.09.2008 – the Council of Europe's MONEYVAL Committee (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism) has published its first evaluation report on Israel. Israel is an active observer to MONEYVAL and participates in its evaluation process. This report analyses the implementation of international and European standards to combat money laundering and terrorist financing, assesses levels of compliance with the Financial Action Task Force (FATF) 40+9 Recommendations and includes a recommended action plan to improve the Israeli anti-money laundering (AML) and countering the financing of terrorism (CFT) system.

The main findings of the evaluation report are:

- There is a working AML/CFT system in place, though gaps were identified - notably that designated non-financial businesses and professions are not currently within the scope of the legislation. This should be addressed as a matter of urgency.
- Some significant financial thresholds unduly restrict AML/CFT requirements in both the preventive and the repressive regimes.
- Money laundering is criminalised in a way which is broadly in accordance with international standards, though the value threshold which applies in one of the money laundering offences should be removed. Legislative provisions adequately cover the criminalisation of terrorist financing. There have been numerous investigations, prosecutions and convictions for money laundering and terrorist financing.
- Israel has in place a modern and robust system for the confiscation of criminal proceeds in respect of a limited number of important areas, including money laundering, drug trafficking and organised crime. However there is a need to extend modern legislation in confiscation and provisional measures to the full range of predicate offences.
- There is a clear need for comprehensive and focused guidance to financial institutions as to their obligations to freeze terrorist assets under the UN Security Council Resolutions.
- The Israeli Financial Intelligence Unit, IMPA, has a vital role in the AML/CFT effort and, within its legal confines, performs its assignment in a well-organised and professional manner. It has developed a relationship of trust with the reporting entities. Most unusual transaction reports come from the banks. The numbers of reports from other parts of the financial sector are low, and more outreach to these parts of the financial sector would be beneficial.
- Israeli law enforcement is well organized and has appropriate resources to conduct effective investigations.

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A political organisation set up in 1949, the Council of Europe works to promote democracy and human rights continent-wide. It also develops common responses to social, cultural and legal challenges in its 47 member states.

- For Customer Due Diligence, verification of the beneficial owner needs to be an obligation in Law or Regulation. The separate concepts of identification and verification in higher risk situations are not completely understood and reflected in practice. There are no requirements for enhanced due diligence in place other than for banking corporations. The limited Israeli definition of Politically Exposed Person (PEP) is applicable only to banks.
- The arrangements for supervision on AML for banking corporations, portfolio managers, insurers and stock exchange members are broadly satisfactory. The inadequacy of supervisory staff numbers in the Ministry of Finance and the Ministry of Communication and the lack of adequate and relevant training for them means that this area of AML/CFT supervision is very weak. There is no mechanism for ensuring that an appropriate and sufficient level of supervision is consistently implemented across the whole financial sector.
- Israel has in place a modern and comprehensive system for the provision of international assistance in criminal matters, which is frequently used in practice. Action needs to be taken to extend the range of offences in respect of which confiscation assistance can be provided.

The report was adopted at MONEYVAL's 27th plenary meeting (Strasbourg, 7-11 July 2008). MONEYVAL will follow up implementation of the recommendations through its progress report procedure, under which MONEYVAL countries are required to update the Committee on action taken on the mutual evaluation report, one year after its adoption.

This report is available at: www.coe/moneyval