

Global Compliance and International Sanctions

Sanctions on Russia and Belarus in relation to the hostilities in Ukraine and their implementation by Israeli banks



Since the war in Ukraine began, the US, EU, UK and other countries have imposed unprecedented sanctions against Russia, Belarus and related parties.

Following the adoption of such sanctions, Israeli banks have imposed certain restrictions on activities with persons and entities subject to those sanctions. Against that background, the Supervisor of the Banks (the “Supervisor”) recently published for public comments a [draft letter](#) to the directors of the banks regarding risks involved in engagements with persons and entities included in sanctions lists.

In the draft letter, the Supervisor states that abuse of the banking system with the purpose of circumventing sanctions regimes of foreign countries or international institutions, exposes banks to significant risks, including potential harm to goodwill, legal risks, and risks relating to compliance, money laundering and terrorist financing.

Against that background, and as part of the implementation of the Proper Banking Management Regulations (No. 310) on “Risk Management”, the Supervisor notes that banking corporations should establish policies and procedures with regard to transacting and engaging with entities or persons targeted by national or international sanctions programs.

The Supervisor’s position, as expressed in the draft letter, is that banks may refuse to approve transactions or to engage in agreements, and may terminate existing engagements, as part of the implementation of such policies and procedures. Such refusal shall be considered a “reasonable refusal” to provide a service, in the context of the Banking Law (Customer Service), 5741-1981.

We will continue to follow future developments on this matter.

We are at your service for any further questions.



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