

# Israel

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## 1 Overview

### 1.1 Describe your jurisdiction's sanctions regime.

Israel's sanctions regime focuses on both direct and indirect economic sanctions. Direct sanctions impose strict restrictions (prohibitions) on any economic activity with enemy countries (Iran, Iraq\*, Lebanon and Syria), for example, the Trading with the Enemy Act 1939 (TWEA) imposes a comprehensive prohibition on any and all economic activity with Iran and any Iranian private individuals and companies. Indirect sanctions, on the other hand, prohibit economic activities with foreign parties that have activity in countries which are considered enemy countries of Israel; indirect sanctions aim, in general to prevent investments in economic entities which invest in enemy countries.

The economic sanctions regime in Israel is very broad and comprehensive and applies to designated entities and individuals meaning it is, at large, a country-specific regime. The strict nature of the sanctions regime in Israel serves the cause of preventing the proliferation of Weapons of Mass Destruction (WMD) by enemy countries in order to maintain security, prevent threats from enemy countries, and combat terrorism.

The Israeli legal framework pertaining to sanctions includes several separate yet coherent and complementary laws, the most senior being the TWEA which remains valid since the British mandate, "Combating the Iranian Nuclear Program Law – 2012" (hereinafter: CINTP) and the "Prevention of Distribution and Financing Weapons of Mass Destruction Law – 2018" (PDFWMDL) which also states that relevant resolutions by the United Nations Security Council (UNSC) shall be endorsed: "The Counter Terrorism Law – 2016" (CTL); the "Money Laundering Prohibition Law – 2000" (MLBL); "Prohibition on Investment in Corporations which have a business relationship with Iran, 2008" (PIC); and more.

The sanctions regime in Israel is country-specific as well as list-based, meaning individuals and entities in which economic activity is prohibited are maintained in various sanctions list, according to and by virtue of sanction laws.

\*Currently a temporary permit which allows business and economic activity with Iraq is in force.

### 1.2 What are the relevant government agencies that administer or enforce the sanctions regime?

The main two government agencies which are authorised to administer and enforce the sanctions regime are:

- (1) Sanction Bureau of the Ministry of Finance, Department of the Chief Economist.
- (2) National Bureau for Counter terror Financing of the Ministry of Defence (NBCTF).

Nonetheless, the sanctions regime legislations gives varying authority to additional several governmental bodies and ministers who work in cooperation and coordination with the Sanctions Bureau and the NBCTF.

### 1.3 Have there been any significant changes or developments impacting your jurisdiction's sanctions regime over the past 12 months?

On January 16<sup>th</sup>, 2022, a draft bill to amend the CTL was brought by the Ministry of Justice before the Knesset (the Israeli Parliament). The amendment is titled "The Counter Terrorism Law – 2016 (Amendment No. 7) (Declarations on Individuals and Various Amendments) – 2021".

The amendments propose to grant the Minister of Defense autonomous authority to pronounce a foreign party as a terror activist, and to adapt declarations of the UNSC on all and any terror activists including Israeli citizens and/or residents in accordance with the international standards and obligations in the field of counter terrorism. The amendment also proposes three specific amendments relating to the definition of "weapons" and other clarifications of certain judicial procedures, etc.

The proposed bill is designed to cover gaps and apply needed improvements within Israel's sanctions regime and also to meet the international obligations Israel has in counter terrorism on the international level, especially following the Financial Action Task Force (FATF) 2018 report which extended poignant criticism as to the fact that Israel's current sanctions regime does not include a mechanism to apply the declaration of the UNSC regarding terror activists who are Israeli citizens and/or residents.

The amendment has not yet been adopted by the Israeli Knesset.

## 2 Legal Basis/Sanctions Authorities

### 2.1 What are the legal or administrative authorities for imposing sanctions?

Economic sanctions are imposed by virtue of the relevant laws, including the TWEA, CINP, the PDFWMDL, the CTL, and the MBL.

### 2.2 Does your jurisdiction implement United Nations sanctions? Describe that process. Are there any significant ways in which your jurisdiction fails to implement United Nations sanctions?

Israel implements United Nations sanctions by article 3 of the PDFWMDL, which states that when the UNSC declares that a foreign party is a contributing party to a foreign country to a non-governmental body which has activity in a foreign country, the declaration is temporarily adopted, the Sanctions Bureau consolidates its position and recommendation, and the Minister of Finance (after consulting the Minister of Foreign Affairs and reviewing the bureau's recommendations) can declare the foreign entities as a contributing party to the distribution and financing of weapons.

The implementation of a UNSC declaration is limited to declarations regarding parties that are "foreign" to Israel (individuals or parties including companies that have no linkage to Israel); namely, under current legal framework, Israel does not implement declarations of the UNSC regarding non-foreign entities to Israel parties.

Similarly, as mentioned in question 1.3 above, the Israeli jurisdiction, under counter terrorism law, lacks a mechanism for adapting United Nations declarations on Israeli persons and parties as terrorists; the proposed amendment (Amendment No. 7) seeks adapting such mechanism (see question 1.3 above).

### 2.3 Is your jurisdiction a member of a regional body that issues sanctions? If so: (a) does your jurisdiction implement those sanctions? Describe that process; and (b) are there any significant ways in which your jurisdiction fails to implement these regional sanctions?

Israel is not a member of a regional body that issues sanctions; however, article 4 of the PDFWMDL gives authority to the Minister of Finance to adopt a foreign authorised party's (authorised by its own law) declaration regarding a foreign party as a party that assists in the distribution and financing of WMD.

Such an adoption of declaration, (which leads to imposing sanctions on a declared party), can be made by the Minister of Finance if, after reviewing the Sanctions Bureau position, the minister sees reasonable basis that the declared foreign party has indeed assisted in the distribution and financing of weapons, and only after consulting with the Minister of Foreign Affairs.

### 2.4 Does your jurisdiction maintain any lists of sanctioned individuals and entities? How are individuals and entities: a) added to those sanctions lists; and b) removed from those sanctions lists?

The Israeli sanctions regime is a list-based regime, namely comprising sanctioned countries, governmental bodies and non-governmental bodies and those lists are updated upon any additions or removals.

According to the legislation, a designation can be made by the authorised minister; this means that the appropriate and authorised minister by law can name parties that are to be added. Usually it is based on information, assessment and recommendation of the Sanctions Bureau and NBCTF Bureau, and after consulting with the Minister of Foreign Affairs. Addendums can also be made based on the UNSC which is declared under UNSC resolution and are added to the lists.

The authority for relevant ministers also extends to the removal of individuals and entities from lists, and the national laws pertaining to sanctions of Israel maintains the right to file an application for delisting and cancelling of declaration; the right to file said application apply to "those who see that the declaration causes them damage".

### 2.5 Is there a mechanism for an individual or entity to challenge its addition to a sanctions list?

Under Israeli law(s), those that consider themselves damaged as a result of enlisting a certain entity or individual has the right to file a written application to the appropriate Minister Committee through the Sanctions Bureau via an application form.

The mechanism for a challenging addition of parties to sanctions lists are fixed within the laws on sanctions, for example, article 11 of the PDFWMDL, etc.

### 2.6 How does the public access those lists?

All lists are accessible via the Sanctions Bureau and NBCTF websites:

- Sanction Bureau, the List of Parties Cited under the Prevention of Distribution and Financing of Weapons of Mass Destruction Law – 2018: [https://www.gov.il/en/departments/general/declared\\_elements\\_list](https://www.gov.il/en/departments/general/declared_elements_list).
- NBCTF Designations Lists: <https://nbctf.mod.gov.il/en/designations/Pages/downloads.aspx>.

### 2.7 Does your jurisdiction maintain any comprehensive sanctions or embargoes against countries or regions?

While the entire sanctions regime in Israel is broadly comprehensive, Iran was awarded its own designated law within the Israeli legislation, the CINP, which imposes prohibitions and restrictions on business- economic activities with foreign corporations who have business activity with Iran or bodies that were cited as involved in Iran's nuclear programme.

The CINP law poses amendments to the TWEA; these amendments were made in order to complete the imposing sanctions on Iran, and include raising the maximum years for imprisonment from seven years to 10 years on persons that violate the prohibitions. The violation is defined as an original offence under the Money Laundering Act, providing an additional source for penalties.

### 2.8 Does your jurisdiction maintain any other sanctions?

No, the economic- and country-specific sanctions of Israel are covered by the aforementioned detailed in national laws.

### 2.9 What is the process for lifting sanctions?

See questions 2.4 and 2.5 above for the mechanisms on lifting

sanctions. Moreover, sanctions are lifted once peace/diplomatic relations are established between Israel and formerly declared enemy countries.

#### 2.10 Does your jurisdiction have an export control regime that is distinct from sanctions?

Israel has a special list of prohibited equipment to be exported to the Palestinian Authority by the Defense Export Control Order 2008-569 (supervised dual-use equipment transferred to other Palestinian civilian territories).

#### 2.11 Does your jurisdiction have blocking statutes or other restrictions that prohibit adherence to other jurisdictions' sanctions or embargoes?

No, rather the law authorises the Minister of Finance to add entities and individuals to sanctions list cited by other foreign jurisdictions.

Nevertheless, although not explicitly written in legislations, and since the sanctions regime is country-specific (Iran and other enemy countries), adherence to other enemy and sanctioned jurisdictions is prohibited.

#### 2.12 Does your jurisdiction impose any prohibitions or threaten any sanctions consequences for transactions that do not have a connection to that jurisdiction (sometimes referred to as "secondary sanctions")?

Israel does not currently impose secondary sanctions.

### 3 Implementation of Sanctions Laws and Regulations

#### 3.1 What parties and transactions are subject to your jurisdiction's sanctions laws and regulations? For example, do sanctions restrictions apply based on the nationality of the parties involved? Or the location where the transactions take place?

Predominantly, the nationality of the parties involved in the transactions and or any business is the basis for applying sanctions restrictions. Nonetheless, nationals of countries which are unsanctioned by Israeli law are subject to sanctions if they have business or economic connection to countries or other entities from countries that are sanctioned according to Israeli law; this rule becomes all the more important when such business connections are Iran proliferation-related.

Article 3 of the TWEA states that "[a]ny Person who trades or attempts to trade with an enemy [...]" will be charged with the offence of trading with an enemy. As demonstrated, the letter of the law takes a broad approach as to whom the restrictions apply. The Ordinance does not necessarily restrict Israeli-only nationals from trading with parties of an enemy country.

The CINP as elaborated in question 2.7 above indirectly amends the TWEA and adds further restrictions to trading with enemy countries. As for parties and transactions that are subject to sanctions, article 4 of CINP applies restrictions on conducting business with a "foreign assisting party" which by definition of law is a foreign party that provides assistance to Iran in advancing its nuclear programme or in obtaining WMD or the means of carrying of weapons.

The PIC sets rules which prohibit financial institutions in Israel to invest in corporates who maintain essential business relations with Iran, which directly or indirectly benefits the economy of Iran.

To conclude, Israel sanctions laws and regulation apply on transactions where a party to the transaction is an enemy or has economic business relations with an enemy country.

#### 3.2 Are parties required to block or freeze funds or other property that violate sanctions prohibitions?

No requirements including blocking or freezing funds or properties that violate sanctions prohibition were included in sanctions laws in Israel. Such requirements are found, for example, by banks and financial institutions banks and credit card companies by the supervisor of banks of Israel issued directives.

Nevertheless, the court can decide to boycott goods and money for which the prohibited transaction was made.

#### 3.3 Are there licences available that would authorise activities otherwise prohibited by sanctions?

Only special permits issued by a ministers committee would authorise otherwise prohibited economic activities by sanctions laws. Special permits are issued after the Sanctions Bureau position/opinion is given and reviewed by a minister committee; such permits are granted only if it serves a public interest. In addition, at their discretion the committee can decide to grant the permit for conducting economic activities in general, a defined type of economic activity or to a certain economic activity. The committee can also decide to give a special permit that includes conditions, and in that case the permit holder must use it only according to the conditions.

#### 3.4 Are there any sanctions-related reporting requirements? When must reports be filed and what information must be reported?

Yes, reporting obligations are included in sanction-related laws in Israel. Reports must be filed when a person was asked to make economic activity but had reasonable grounds to suspect that the economic activity which he was asked to partake in is prohibited by law or, when a person has already made transactions that are prohibited by sanction of law and had at the time of carrying out the transaction or within six months from the date of the transaction had reasonable suspicion that the transaction is prohibited according to sanction laws, they must report to the Israeli Police. All information known to the person reporting must be conveyed in the report.

Sanction-related reporting requirements are set out in article 5A of TWEA and article 6 of the PDFWMDL.

#### 3.5 How does the government convey its compliance expectations? Are certain entities required to maintain compliance programmes? What are the elements of a compliance programme required (or recommended) by the competent regulator(s)?

Although entities are not directly required by the law to set compliance plans with a definitive element, they are required to keep compliance.

For banks and credit card companies, a policy for the prohibition of money laundering and the prohibition of terrorist

financing must be followed according to the bank supervisor's directive for risk management (Regulation of proper banking management 411). This is designed to maintain compliance with sanctions laws in Israel.

For example, in order to reduce the risk of allowing a prohibited transaction, banks and credit card companies must take precautionary steps, which include: "know the customer" policy; monitoring client's activity; saving documents and information; instructing and educating employees based on their seniority level; reporting to appropriate authority upon unusual suspicious activity; customer identification; and "Reasonable Refusal" when said activity is under suspicion to be in connection to money laundering and terrorist financing.

## 4 Enforcement

### 4.1 Are there criminal penalties for violating economic sanctions laws and/or regulations?

Yes, in article 29 of CINP law, articles 13–16 of PDFWMDL, and article 3 of TWEA which set criminal penalties for violating economic sanctions laws. Criminal penalties by sanctions laws include both financial penalties and imprisonment.

### 4.2 Which government authorities are responsible for investigating and prosecuting criminal economic sanctions offences?

Criminal matters are under the public attorney's responsibility and authority; specialised units might be involved in criminal economic sanction offences investigations such as the Sanctions Bureau and the NBCTF.

### 4.3 Is there both corporate and personal criminal liability?

Yes, criminal liability applies to both individuals and corporations in Israeli sanctions laws; the TWEA applies to all who trades with enemy countries, and that is not limited to individuals. Even the penalties applied on corporations are double the amount of financial penalties applicable to individuals, according to article 3 (A) of the ordinance.

Additional articles that deal with corporate criminal liability in sanctions laws can be found in article 16 of the PDFWMDL.

In general, according to article 4 of "interpretation law – 1981", the definition of the term "a person" includes persons as well as groups of people whether incorporated or not. Namely, by default all Israeli laws which apply on individuals apply also on corporate entities.

### 4.4 What are the maximum financial penalties applicable to individuals and legal entities convicted of criminal sanctions violations?

The maximum amount of financial penalties applicable on those convicted of sanction law breaches, according to TWEA article 3 (A), is up to 2,260,000 NIS (Approximately 683,000 USD).

### 4.5 Are there other potential consequences from a criminal law perspective?

Criminal penalties applicable on persons (or corporates) convicted of sanctions violations include multi hundred

thousand dollars monetary penalties and also imprisonment; the maximum prison years of persons convicted of a sanctions violation is up to 10 years.

### 4.6 Are there civil penalties for violating economic sanctions laws and/or regulations?

Monetary penalties for violating economic sanctions laws are criminal and are directly drawn from the Israeli Penal Code – 1977.

### 4.7 Which government authorities are responsible for investigating and enforcing civil economic sanctions violations?

Economic sanctions regime violation in general is the responsibility of the Ministry of Finance and the Ministry of Defense and the relevant bureaus established for the sake of promoting the implementation of the goals of the Sanctions Law – the Sanctions Bureau and the NBCTF.

Civil economic sanctions are not part of the economic sanctions regime in Israel.

### 4.8 Is there both corporate and personal civil liability?

Yes, similarly to criminal liability, civil liability applies on both corporates and individuals.

### 4.9 What are the maximum financial penalties applicable to individuals and legal entities found to have violated economic sanctions?

See the answer to question 4.4 above.

### 4.10 Are there other potential consequences from a civil law perspective?

As previously stated, in essence, the economic sanction regime in Israel is criminal.

### 4.11 Describe the civil enforcement process, including the assessment of penalties. Are all resolutions by the competent authorities public?

A civil enforcement process is not regulated in the Israeli sanctions legal framework.

### 4.12 Describe the appeal process. Have companies challenged penalty assessments in judicial proceedings?

The authorised body for the application of monetary penalties is the court, after a party has been convicted of breach of sanctions laws. Therefore, the appeal process as to penalty assessment is the same process applied in all other judicial proceedings, which is generally, first appeal is a given right and second appeal requires a court's permission.

### 4.13 Are criminal and civil enforcement only at the national level? Is there parallel state or local enforcement?

Sanctions-related enforcements are only at the national level.

#### 4.14 What is the statute of limitations for economic sanctions violations?

There is no specific statute of limitations for economic sanctions violations within sanction laws. The default Statute of limitation for criminal offences is five or 10 years depending on the amount of maximum imprisonment years for the offence. In civil law, the default statute of limitation is seven years.

## 5 General

#### 5.1 If not outlined above, what additional economic sanctions-related measures are proposed or under consideration?

Efforts and measures to close the gaps found in the Israeli sanctions regime, in response to the criticism by the Financial Action Task Force (FATF) in its 2018 report, are under consideration. For the time being as the Knesset was dispersed, the CTL Amendment No. 7 is “on hold”.

Currently, a new Joint Comprehensive Plan of Action, or as commonly known, the Iran Nuclear Deal, is in the works; however, Israel stands firmly in opposition to the deal, because in its current form, if signed, the Iranian side will receive an annual revenue of 100 billion dollars annually as a result of oil export relief for the Iranians, which Israel believes that the Iranians will use to strengthen the threat on Israel. Thus, the new deal contradicts the pillars of the economic sanction regime which was designed largely to prevent Iran from economic growth which will lead to it a growing threat to Israel.

#### 5.2 Please provide information for how to obtain relevant economic sanctions laws, regulations, administrative actions, and guidance from the Internet. Are the materials publicly available in English?

- Sanction Bureau of the Ministry of Finance, Department of the Chief Economist website: [https://www.gov.il/en/departments/general/about\\_sanctions\\_headquarters](https://www.gov.il/en/departments/general/about_sanctions_headquarters).
- National Bureau for Counter terror Financing of the Ministry of Defence (NBCTF) website: <https://nbctf.mod.gov.il/en/Pages/default.aspx>.
- The Counter Terrorism law, 2016: [https://www.gov.il/BlobFolder/dynamiccollectorresultitem/counter-terrorism-law-2016-english/he/legal-docs\\_counter\\_terrorism\\_law\\_2016\\_english.pdf](https://www.gov.il/BlobFolder/dynamiccollectorresultitem/counter-terrorism-law-2016-english/he/legal-docs_counter_terrorism_law_2016_english.pdf).
- TWEA: <https://www.legislation.gov.uk/ukpga/Geo6/2-3/89/enacted>.
- Information in English Prevention of Distribution and Financing of Weapons of Mass Destruction Law – 2018: <https://www.loc.gov/item/global-legal-monitor/2018-05-24/israel-knesset-adopts-law-to-prevent-distribution-and-financing-of-weapons-of-mass-destruction/>.
- Information on CINP: <https://www.loc.gov/item/global-legal-monitor/2012-08-30/israel-embargo-on-providers-of-support-for-irans-program-of-weapons-of-mass-destruction/>.

Please note that not all the material and information of the Sanction Bureau and NBCTF are available in English.



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