

Israel

RISK AND COMPLIANCE

DATE: January 2017

Executive Summary - Israel

Sanctions:	Arab League - Financial and Israeli-origin goods and services
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	US Dept of State Money Laundering assessment Non - Compliance with FATF 40 + 9 Recommendations Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products: citrus, vegetables, cotton; beef, poultry, dairy products</p> <p>Industries: high-technology products (including aviation, communications, computer-aided design and manufactures, medical electronics, fiber optics), wood and paper products, potash and phosphates, food, beverages, and tobacco, caustic soda, cement, construction, metals products, chemical products, plastics, diamond cutting, textiles, footwear</p> <p>Exports - commodities: machinery and equipment, software, cut diamonds, agricultural products, chemicals, textiles and apparel</p> <p>Exports - partners: US 27.8%, Hong Kong 7.7%, UK 5.7%, Belgium 4.6%, China 4.3% (2012)</p> <p>Imports - commodities: raw materials, military equipment, investment goods, rough diamonds, fuels, grain, consumer goods</p> <p>Imports - partners: US 12.9%, China 7.3%, Germany 6.3%, Switzerland 5.5%, Belgium 4.8% (2012)</p>	

Investment Restrictions:

Israel is open to foreign investment, and the government actively encourages and supports the inflow of foreign capital. There are few restrictions on foreign investors, except for parts of the defense or other industries that are closed to outside investors on national security grounds. There is no screening of foreign investment and no regulations regarding acquisitions, mergers, and takeovers that differ from those that Israelis must follow. Foreign investors are welcome to participate in Israel's privatization program. Investments in regulated industries (e.g. banking, insurance), however, require prior government approval. Investments in certain sectors may require a government license.

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Section 1 - Background

Following World War II, the British withdrew from their mandate of Palestine, and the UN partitioned the area into Arab and Jewish states, an arrangement rejected by the Arabs. Subsequently, the Israelis defeated the Arabs in a series of wars without ending the deep tensions between the two sides. (The territories Israel occupied since the 1967 war are not included in the Israel country profile, unless otherwise noted.) On 25 April 1982, Israel withdrew from the Sinai pursuant to the 1979 Israel-Egypt Peace Treaty. In keeping with the framework established at the Madrid Conference in October 1991, bilateral negotiations were conducted between Israel and Palestinian representatives and Syria to achieve a permanent settlement. Israel and Palestinian officials signed on 13 September 1993 a Declaration of Principles (also known as the "Oslo Accords") guiding an interim period of Palestinian self-rule. Outstanding territorial and other disputes with Jordan were resolved in the 26 October 1994 Israel-Jordan Treaty of Peace. Progress toward a permanent status agreement was undermined by Israeli-Palestinian violence between September 2003 and February 2005. Israel in 2005 unilaterally disengaged from the Gaza Strip, evacuating settlers and its military while retaining control over most points of entry into the Gaza Strip. The election of HAMAS to head the Palestinian Legislative Council in 2006 froze relations between Israel and the Palestinian Authority (PA). In 2006 Israel engaged in a 34-day conflict with Hizballah in Lebanon in June-August 2006 and a 23-day conflict with HAMAS in the Gaza Strip during December 2008 and January 2009. Prime Minister Binyamin NETANYAHU formed a coalition in March 2009 following a February 2009 general election. Direct talks with the PA launched in September 2010 collapsed following the expiration of Israel's 10-month partial settlement construction moratorium in the West Bank.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Israel is not currently on the FATF list of Countries that have been identified as having strategic AML deficiencies.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Israel was undertaken by the Financial Action Task Force (FATF) in 2009. According to that Evaluation, Israel was deemed Compliant for 11 and Largely Compliant for 18 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 2 of the 6 Core Recommendations.

Key Findings from Progress report and written analysis by the Secretariat of Core Recommendations - 14 December 2011

The report on the Core recommendations shows that numerous developments have occurred which address major issues raised by the evaluators. The AML Law has been amended in order to fully cover the offences listed in the Glossary to the FATF Recommendations (environmental crimes and piracy are now expressly mentioned as predicates).

The Customer Due Diligence system was improved by imposing stricter obligations on the financial institutions CDD requirements. Currently all financial institutions have the legal obligation to perform know your customer (KYC) procedures for all account owners without threshold limits, and on-going due diligence with reference to the KYC process. However, the thresholds for the insurance sector remain in place and not all provisions relating to CDD measures are in force yet.

The effectiveness of the reporting system has been improved and it appears that the FIU is actively involved in awareness-raising and training activities.

Regarding SRIV, progress had been made in relation to the tipping off provisions and now the orders for Stock Exchange Members, for Portfolio Managers and for the Postal Bank have been amended to include a tipping off provision that covers all related information. Orders dedicated to a series of non-banking financial institutions include a tipping off provision on all related information, but are still in draft form.

There is a welcome progress on the obligation to report the attempted transactions, which is now explicitly mentioned in the orders for Stock Exchange Members, for Portfolio Managers

and for the Postal Bank. Similar obligation is included in the draft orders for banking corporations, money service businesses, insurers and insurance agents, provident funds and companies managing a provident fund.

Overall there is a clear process in train to address most of the recommendations in the 3rd round report. The thresholds in the criminal legislation should still be removed in a timely fashion. The inconsistent thresholds in the preventive measures are being addressed.

As a result of the discussions held in the context of the examination of the second progress report, the Plenary was satisfied with the information provided and the progress being undertaken and thus approved the progress report and the analysis of the progress on the core Recommendations. Pursuant to Rule 41 of the Rules of procedure, the progress report will be subject of an update every two years between evaluation visits, though the Plenary may decide to fix an earlier date at which an update should be presented.

US Department of State Money Laundering assessment (INCSR)

No longer categorised a Jurisdiction of Primary Concern however the 2017 Report has not yet been published and, therefore, below is the 2016 report.

Israel was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and, to an increasing extent, with Asia. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, or EU, often utilize a maze of offshore shell companies and bearer shares to obscure ownership. Israel's illicit drug trade is regionally focused, with Israel being more a market destination for narcotics than a transit country. The majority of money laundered originates from criminal activities abroad, including "carousel fraud," which takes advantage of international value-added tax loopholes. Proceeds from domestic criminal activity also continue to contribute to money laundering activity. Electronic goods; liquor; cigarettes; cell phones; and pharmaceuticals, especially Viagra and Cialis, have all been seized in recent smuggling operations. Officials continue to be concerned about money laundering in the diamond industry, illegal online gaming rings, retail businesses suspected as money laundering enterprises, and public corruption. The government adopted the recommendations of the committee established by the Director General of the Prime Minister's Office to explore the possibility of reducing the overall supply of Israeli currency in circulation, as part of an effort to combat both counterfeiting and money laundering activity.

Do financial institutions engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: NO

Criminalization of money laundering:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Are legal persons covered: criminally: YES ***civilly:*** YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** NO

KYC covered entities: Banking corporations, credit card companies, trust companies, stock exchange members, portfolio managers, the Postal Bank, money service businesses (MSBs), dealers in precious stones, lawyers and accountants, and trading floors (foreign exchange dealers)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 48,116: January 1 – October 25, 2015

Number of CTRs received and time frame: 1,271,180: January 1 – October 25, 2015

STR covered entities: Banking corporations, credit card companies, trust companies, members of the stock exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, MSBs, the Postal Bank, dealers in precious stones, and trading floors

money laundering criminal Prosecutions/convictions:

Prosecutions: 121: January 1 – October 31, 2015

Convictions: 27: January 1 - October 31, 2015

Records exchange mechanism:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Israel is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body.

Enforcement and implementation issues and comments:

MSBs became required to implement customer due diligence (CDD) requirements as of March 30, 2015. As of September 15, 2015, dealers in precious stones became subject to CDD and as of September 15, 2016 will become subject to suspicious transaction reporting (STR) requirements. Lawyers and accountants became subject to CDD requirements as of September 2, 2015. Additionally, on November 4, 2015, the AML/CFT regime was applied to trading floors. While there is no legislative requirement for enhanced due diligence for domestic politically exposed persons (PEPs), banking corporations and the Postal Bank apply such procedures.

On July 27, 2015, the Knesset (parliament) approved in its first reading a bill for the reduction of the use of cash. On August 26, 2015, a governmental draft bill for the supervision of

“financial service businesses” was published, establishing a new regulator that will supervise the different financial services provided by MSBs, including non-bank loans.

On October 10, 2015, the Knesset approved in its first reading a bill which lists serious tax crimes as predicate offenses for money laundering. This also will enable dissemination of information from the Israel Money Laundering Prohibition Authority (IMPA), under the Ministry of Justice, to the Israel Tax Authority.

On October 20, 2015, the Minister of Justice authorized for publication a draft bill to amend the Prohibition on Money Laundering Law that includes changes to money laundering offenses regarding property and instrumentalities involved in money laundering and related penalties. The bill also extends the definition of beneficial owners to cover legal persons and to clarify the definition of a controlling person.

Israel’s “right of return” citizenship laws mean that criminal figures find it easy to obtain an Israeli passport without meeting long residence requirements. It is not uncommon for criminal figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel.

The Financial Intelligence Unit, under the IMPA, cooperates closely with the two bodies responsible for enforcement: the Israel Tax Authority’s Anti-Drug and Money Laundering Unit, and the Israel National Police. Israel cooperates on legal assistance and on extradition requests.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Israel conforms with regard to all government legislation required to combat money laundering

EU White list of Equivalent Jurisdictions

Israel is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Israel is not considered to be an Offshore Financial Centre

Narcotics

Israel is not a major narcotics producing or trafficking country, but has a significant domestic market for illegal drugs. The Israel Anti-Drug Authority, which falls under the auspices of the Prime Minister's Office, but under administrative control of the Ministry of Public Security, states that demand for conventional drugs (cocaine, heroin, methamphetamine, etc.) remained steady in 2012. Use of cannabis and synthetic cannabinoids, however, is on the rise. The Anti-Drug Authority regularly adds new synthetic drugs to Israel's Dangerous Drugs Ordinance, which provides the legislative basis for drug definition, penalties, and related enforcement authorities.

Law enforcement continues to link drug offenses to a number of other crimes, including human trafficking, illegal labour, and money laundering. The U.S. Drug Enforcement Administration (DEA) has seen an increase in drug-related money laundering cases involving Israelis working in both the United States and Israel. The majority of drugs enter Israel via its borders with Jordan, Lebanon, and Egypt, as well as by sea shipment and through the mail.

Excellent bilateral cooperation on illicit drug enforcement and interdiction continues between U.S. and Israeli authorities, with efforts shared between the DEA country office in Cyprus and the Department of Homeland Security's Immigration and Customs Enforcement office (DHS/ICE) in Tel Aviv. Recent joint U.S. and Israeli actions have included joint investigation of drug couriers on flights from South America into Ben Gurion airport, investigations of trafficking of mephedrone from Israel to the United States, and the May 2012 conviction of a prominent Israeli drug trafficker and organized crime leader in Los Angeles. DHS/ICE cooperated with the Israel Tax Authority and Israel National Police to investigate counterfeit pharmaceutical distribution operations based in Israel, which led to guilty pleas for two Israelis in a U.S. district court in April 2012. DEA Cyprus continues to work closely with the Israeli Ministry of Health's Pharmaceutical Crimes Unit on a wide range of issues pertaining to drug identification as well as the identification of new trends in drug production. Multiple bilateral projects, training programs, and joint investigations are currently in various planning stages.

Trafficking in Persons

Israel is classified a Tier 1 Country - a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards

Israel is a destination country for men and women subjected to forced labor and sex trafficking and, to a much lesser extent, a source country for women subjected to sex trafficking. Low-skilled workers primarily from Thailand, China, Nepal, the Philippines, India, Sri Lanka, Bulgaria, Ghana, Moldova, and to a lesser extent, Romania, migrate voluntarily and legally to Israel for temporary contract labor in the construction, agriculture, caregiving, fishing and other industries. Some face forced labor, experiencing unlawful withholding of passports, restrictions on movement, limited ability to change or otherwise choose one's

employer, nonpayment of wages, exceedingly long working hours, threats, sexual assault, and physical intimidation. Foreign workers within the agricultural sector report that they face withholding of passports, long workdays with no breaks or rest days, and low salaries. Men from the Philippines, Sri Lanka, and India reportedly work in harsh conditions on fishing boats; some of this labor may amount to human trafficking, distinguished by isolation, long working hours with little rest, and withheld salaries. Caregivers, especially live-in caregivers, are highly vulnerable to forced labor due to their isolation inside private residences and because they are not protected under the Work and Rest Hours Law, which regulates work conditions. Many labor recruitment agencies in source countries and brokers in Israel require workers to pay recruitment fees to secure jobs in the caregiving sector, a practice that contributes to forced labor once migrants are working in the country. In recent years, women from Ukraine, Russia, Moldova, Uzbekistan, China, Ghana, and to a lesser extent South America, were subjected to sex trafficking in Israel; some of these women arrive on tourist visas for the purpose of working in prostitution for a short period of time before returning to their home country but are subsequently subjected to forced prostitution. Some Israeli women and girls may be subjected to sex trafficking in Israel.

Since 2011, thousands of African migrants—primarily from Eritrea, Sudan, and South Sudan, and to a lesser extent, Ethiopia, and Cote d'Ivoire—have entered Israel irregularly from Egypt's Sinai Peninsula. Many of these vulnerable migrants were kidnapped along the Eritrea-Sudan border or within Sudan and subsequently subjected to severe abuses, including human trafficking, at the hands of criminal groups in Egypt's northern Sinai before reaching Israel; some reported being forced to work as cleaners or on construction sites during their captivity. Although the flow of migrants arriving in Israel has almost ceased—dropping from 10,000 in 2012 to 36 in 2013—following the construction of the fence along the Israel-Egypt border and other deterrence measures, international organizations report that the abuses in Egypt continue to occur against this vulnerable group. The 53,000 Eritrean and Sudanese migrants and asylum seekers, most of whom arrived to Israel through the Sinai in Egypt, are highly vulnerable to forced labor and sex trafficking in Israel, due to their lack of formal work status and pressure to repay their family and friends for the large debts owed for the ransoms paid to free them from criminal groups in Egypt's northern Sinai. A local health clinic reports that both male and female Eritrean migrants are vulnerable to sex trafficking in Israel. The government and NGOs report that some find informal work in the agriculture sector under harsh conditions; some of this work may amount to forced labor.

The Government of Israel fully complies with the minimum standards for the elimination of trafficking. The government sustained strong law enforcement actions against sex and labor trafficking, although courts did not sentence some convicted offenders to prison terms commensurate with the severity of the offense. The government continued to identify and refer victims to government-funded shelters for trafficking victims, and it cooperated with NGOs to identify potential victims. In addition, the government opened a third trafficking shelter and a day center to provide services to an increasing number of identified victims. It continued to improve its efforts to proactively identify and provide protection to victims among vulnerable populations, such as migrants from the Sinai in Egypt. The government released from detention victims of trafficking, who were identified among African migrants abused in the Sinai, and provided them with temporary assistance until shelter space became available. Nonetheless, NGOs continued to raise concerns that the government-funded shelter space was still inadequate to serve all trafficking victims or potential trafficking

victims in Israel. The government continued to implement strong anti-trafficking prevention measures.

Terrorist Financing 2015:

Overview: Israel was a committed counterterrorism partner in 2015. Israel again faced terrorist threats from Palestinian violent extremists including Hamas, the Popular Resistance Committees, and Palestinian Islamic Jihad (PIJ), particularly from Gaza but also from the West Bank. Other threats included Hizballah in Lebanon and Syria; al-Qa'ida (AQ) and its affiliates, and the Islamic State of Iraq and the Levant (ISIL) and its affiliates in the country and along its borders, such as ISIL Sinai Province (ISIL-SP) and al-Yarmouk Martyrs Brigade in the Golan Heights. In addition, since October 1, Israel has faced a wave of terrorist attacks committed by individuals with no clear organizational affiliation. Israeli officials argued that the spike in violence has its roots in part in Palestinian fears that the Government of Israel intends to alter the status quo at the Haram al-Sharif/Temple Mount and is fanned by incitement by senior figures in the Palestinian Authority, while representatives of the Palestinian Authority argued that the attackers were largely motivated by frustration over the occupation and the lack of a political horizon.

Gaza-based Palestinian terrorist organizations continued rocket and mortar attacks into Israeli territory, and multiple terrorist attacks were launched along Israel's security barrier with Gaza. Most of these were initiated by the Omar Hadid-Bayt AlMaqdis Brigades, a Salafi organization based in Gaza and inspired by ISIL. Israel saw an increase in the number of launches in 2015, totaling 24 for the year, and a maximum of seven launches during the month of October. The Gaza-based Palestinian organization "Al-Sabirin", which is supported by Iran and identifies with Lebanese Hizballah, has claimed responsibility for launching rockets into Israel as well. Militants continued efforts to smuggle arms and dual-use materials through the Sinai into Gaza via tunnels. Israeli officials welcomed significant efforts by the Government of Egypt to prevent such smuggling.

Israeli counterterrorism officials said Hamas and other Gaza terrorists made quantitative and qualitative advances in their military capabilities. Israel assessed that Hamas and PIJ have regained most of the military capabilities that were severely damaged during operation "Protective Edge" (July 7 to August 26, 2014), and have, in some cases, expanded their capabilities, including by constructing new offensive tunnels and acquiring other advanced capabilities such as an arsenal of medium-to-long range rockets and unmanned aerial vehicles.

Hamas continued to develop its terrorist infrastructures and activities in the West Bank, specifically in order to attack Israelis. During 2015, Israel's Security Agency, IDF, and Police exposed and foiled several cells of Hamas operating in the West Bank, which were planning to execute terrorist attacks in Israel.

Since October 2015, Israeli and Palestinian security services continued coordination to address a wave of terrorist attacks committed by individuals with no clear affiliation to terrorist organizations. These attacks consisted mostly of stabbings of soldiers and civilians, as

well as shootings or rammings by vehicles. The attacks occurred in the West Bank, Jerusalem, and in Israeli cities.

Israeli officials estimated that the level of threat from global terrorist organizations such as ISIL and AQ and its affiliates increased in 2015. Attacks from ISIL-SP continued as the organization launched rockets toward Israel in July. In addition, ISIL released several audio and video recordings, in Arabic, English, and Hebrew, stating its ambition to attack and destroy Israel and the Jewish people. ISIL leader Abu-Bakr al-Baghdadi released an audio recording in late December (his first since being wounded in May), calling on Muslims to attack Israel. One group claiming affiliation with ISIL, the Al-Yarmouk Martyrs Brigade, controlled areas inside Syria close to the Israel-Syria border. Israel was also concerned with potential attacks by terrorists against Israeli targets abroad. For example, in December, German media reported that two ISIL activists were arrested while trying to assemble an IED. The two planned to plant explosives at the Israeli Embassy in Berlin.

Israeli government officials estimated that about 55 Israeli citizens and residents left Israel to join the fighting in Syria and Iraq. Several of those have died in battle and seventeen have returned, of whom 11 were prosecuted and sentenced.

Israeli security officials and politicians remained concerned about the terrorist threat posed to Israel from Hizballah and Iran, highlighting that Iran, primarily through the efforts of the Islamic Revolutionary Guard Corps-Quds Force (IRGC-QF), continued to transfer arms to Hizballah. Israeli experts believed that Iran has transferred to Hizballah advanced weapons systems such as anti-aircraft and anti-ship cruise missile systems, and was continuing to transfer long-range rockets into Lebanon. Also, Israeli officials were concerned about the proliferation of conventional and non-conventional weapons from Syria to terrorist organizations. According to the Government of Israel, Hizballah has stockpiled more than 100,000 rockets and missiles in Lebanon since the 2006 Lebanon War.

Hizballah continued to act against Israel and Israeli targets around the world. In January, Hizballah launched mortar shells toward Israeli cities in the north and fired anti-tank missiles at an IDF patrol, killing two Israeli soldiers and wounding several others. Hizballah also continued to operate proxy groups based in the Syrian Golan Heights against Israel. One of these groups was headed by Samir Kuntar who publicly announced that he was operating from the Golan Heights with support from Hizballah against Israel. Several attacks by Kuntar's group were foiled. In December 2015, Hizballah officials alleged that Kuntar had been killed in an airstrike in Syria, attributing this attack to the Israeli government.

Iran and Hizballah reportedly continued to prepare for attacks against Israeli targets outside the country. In late November, Kenyan security agencies announced that they had arrested two Iranian citizens, allegedly sent by the Iranian IRGC/Quds force to execute a terrorist attack against Israeli targets in Nairobi. In May, Cypriot police arrested a Lebanese-Canadian national, Hussain Abdallah, who later admitted he was working for Hizballah's External Security Organization. Abdallah possessed about 8.5 tons of chemicals used for manufacturing explosives. Abdallah acknowledged to Cypriot investigators that the explosive pre-cursors interrogation showed the explosives were supposed to be used against Israeli targets in Cyprus and other places in Europe. Iran has stated publicly that it armed Hizballah with advanced long-range Iranian-manufactured missiles, in violation of UN Security Council Resolutions (UNSCRs) 1701 and 1747.

While Israel is not involved in the Global Coalition to Counter ISIL, it shares information to help track and stem the flow of foreign terrorist fighters through information exchanges on counterterrorism issues with numerous governments. In support of the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime, Israel regularly updates the list of foreign terrorist organizations and individuals involved in terrorism to better align with UNSC sanctions lists. Additionally, in November 2015 the Israeli interagency team appointed by the Israeli government submitted its report about the need and methods of requiring and collecting advance passenger information and Passenger Name Record data from airlines operating in its territory, to achieve better safety measures and as part of Israel's implementation of UNSCR 2178.

Attacks by Jewish Israelis against Arab citizens of Israel – many of whom self-identify as Palestinian – and Palestinian residents, property, and places of worship in Israel, Jerusalem, and the West Bank continued. Israeli President Reuven Rivlin spoke out against extremist violence and “price tag” attacks (property crimes and violent acts by extremist Jewish individuals and groups in retaliation for activity they deemed to be anti-settlement) on multiple occasions, as did Prime Minister Benjamin Netanyahu and other elected officials.

2015 Terrorist Incidents: The Israel Security Agency (ISA) reported 22 rocket attacks from Gaza in 2015. On July 3, ISIL-SP claimed responsibility for launching two rockets towards Israeli communities in the northern Negev. There were no reported injuries or property damage from the attack.

Notable terrorist attacks from the northern border included:

- On January 28, in two incidents, Hizballah launched anti-tank missiles at an Israel Defense Forces (IDF) patrol on the Israel-Lebanon border, killing two soldiers and wounding seven.
- On April 26, Israel foiled an attempt by four terrorists from the Syrian Golan heights to plant IEDs along the Israeli-Syrian border. The four were members of a proxy terrorist cell of Hizballah, headed by Samir Kuntar.
- On December 20, the same day that Hizballah terrorist Samir Kuntar's death was announced, three rockets were fired at northern Israel from Lebanese territory near the Palestinian refugee camp of Rashidiya. The rockets landed in unpopulated areas, causing no injuries.

Lone offender attacks included:

- On January 21, a Palestinian national who entered Israel illegally boarded a municipal bus in Tel Aviv and began stabbing other passengers with a sharp object, injuring 12, some seriously, before police apprehended him. Hamas praised this attack as a “bold and heroic act.”
- On April 20, in the Tel Aviv suburb Herzliya, an Arab Israeli male was stabbed by a man who shouted “Death to Arabs” in a Russian accent before fleeing. Police treated this incident as a terrorist attack.

- In July, an Israeli ultra-Orthodox violent extremist stabbed to death one Israeli and injured six others during the Jerusalem LGBT Pride March. Israeli security forces apprehended the attacker.
- On October 8 an off-duty uniformed IDF soldier and others were stabbed near the Israel Defense Headquarters in Tel Aviv. One victim was seriously wounded. The perpetrator was killed trying to flee the scene.
- On October 13 in the Tel Aviv suburb of Ra'anana, there were two separate stabbing attacks at public bus stops, leaving five wounded. Both perpetrators were apprehended.
- On October 18, an attack at the Be'er Sheva bus terminal resulted in one dead and 10 wounded. Police killed the perpetrator. This was followed by mob violence against an innocent Eritrean bystander who had been shot by security forces in the melee and mistakenly was thought by the mob to be a second attacker; he later succumbed to his wounds.
- On October 22, there was a stabbing and shooting incident in Beit Shemesh. This was followed by calls for a "Day of Rage" for the following day.
- On November 2, there were stabbing attacks in the Tel Aviv suburb of Rishon LeZion and in Netanya.
- On November 19, a stabbing attack in a synagogue in the Panorama Building in Tel Kabir (south of Tel Aviv and east of Jaffa) resulted in one dead and three injured.
- On December 19 in Ra'anana, a Palestinian man stabbed three individuals and severely injured one of them. He subsequently tried to enter a synagogue, but was caught by the police.

Legislation, Law Enforcement, and Border Security: Israel has a robust legal framework to combat terrorism and promote international legal assistance in the investigation and prosecution of terrorists.

Israel regularly adopts the UNSC designations of the AQ-ISIL list in its list of terrorist entities and other sanction lists according to Israel's Prohibition of Terror Financing Law (2005), which allows the Israeli Security Cabinet to declare a foreign association to be a foreign terrorist organization on the basis of the relevant determination by a foreign country or by the UNSC.

On the law enforcement front, the ISA and Israel National Police (INP) continued to cooperate with U.S. law enforcement agencies on cases involving U.S. citizens killed in terrorist attacks, as well as other counterterrorism initiatives of mutual interest.

In recent years the ISA exposed and arrested several cells of Israeli nationals who vowed allegiance to ISIL or AQ and who were planning to execute a terrorist attack inside Israel. In June, several men, some of whom worked as high school teachers, were arrested in the Bedouin village of al-Hurra for recruiting support for ISIL and planning to travel to Syria and Iraq. In August, a cell of the organization was exposed in Yafi'a. Its members were planning to acquire weapons and attack Israeli soldiers or policemen. In November, two Israelis from the

Nazareth area were arrested and accused of supporting the organization and planning an attack inside Israel.

Counterterrorism raids also targeted, among others, the alleged local Hamas commander, who worked to renew the organization's activity in the Qalqilya region and in surrounding villages. The activities included "preparing the ground for terrorist activities," the ISA said. Security forces seized more than NIS 35,000 (US \$8,950) during the operation.

The Israeli Ministry of Interior maintains a voluntary biometric passport control system at Tel Aviv's Ben Gurion International Airport, which is available for Israeli passport holders over the age of 18. The system facilitates both entry into and exit from Israel via an automatic kiosk for Israeli citizens who successfully pass a background check and provide a scan of the back of their hand.

Israel maintains a border fence along the length of its border with the Sinai Peninsula to stem the flow of illegal immigrants into Israel, augmented by cameras and sensors to similarly reduce the threat of terrorism.

Israel does not collect advance Passenger Name Records on commercial flights. However, an Israeli interagency team appointed by the Israeli government in 2014 submitted a report in November 2015 about the need and methods of requiring and collecting advance passenger information and Passenger Name Record data from airlines operating in its territory, to achieve better safety measures, and as part of Israel's implementation of UNSCR 2178.

Countering the Financing of Terrorism: Israel is a member of the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures, a Financial Action Task Force (FATF)-style regional body. The Israeli financial intelligence unit, the Israeli Money Laundering and Terror Finance Prohibition Authority (IMPA), is a member of the Egmont Group. In June 2014, the FATF decided to expand its membership and identified Israel as a candidate for FATF observer status, and in November 2015, a high-level delegation from the FATF visited Israel to review the state for possible observer status. Senior officials in the Israeli government (the Minister of Justice, the Minister of Finance, the State's Attorney, and the Governor of the Bank of Israel) reiterated Israel's commitment to becoming a member of the organization, as well as its efforts to advance standards regarding combating money laundering and the financing of terrorism to bring the country in line with international standards.

Israel's counterterrorism finance regime continued to be enhanced through enforcement operations and the inclusion of new groups under national terrorism finance laws. The well-regulated Israeli banking industry worked to address suspected terrorist activity. Israeli experts and officials continued to raise concerns about the issue of state-sponsored funding of Hamas. Hamas is reportedly funding terrorists in the West Bank preparing to perpetrate terrorist attacks against Israel, Israelis, or Israeli interests. For example, 24 Hamas-funded operatives were arrested throughout the West Bank on November 19 in a joint ISA, IDF, and INP operation.

Financing of Hamas through charitable organizations also remained a concern for Israeli authorities, as did the funding of Hizballah through charities and criminal organizations.

Israel regularly updates the list of foreign terrorist organizations and individuals involved in terrorism, in order to align with the UN sanctions lists. The UN sanctions lists are registered in the formal government registry. Every designation is published in three languages (Hebrew, Arabic, English), and run in three different newspapers, as required by law. In addition, designations are published on the website of the IMPA and distributed by email to the IMPA's mailing list, which includes banks, lawyers, and finance professionals.

International and Regional Cooperation: Israel continued its counterterrorism cooperation with a range of regional and international institutions, including the UN, the OAS, and the OSCE. From November 9-11, the Israeli Ministry of Foreign Affairs hosted an international conference on "Countering Radicalization and Violent Extremism Leading to Terrorism: The Challenge of Terrorists Acting Alone or in Small Cells" with delegates from 42 countries and 10 international organizations. The conference was hosted in partnership with the Terrorism Prevention Branch of the UN Office on Drugs and Crime and the OSCE, and in consultation with the UNSC Counter-Terrorism Executive Directorate. The conference examined critical issues and challenges faced by many governments in their efforts to counter violent extremism, such as prevention, detection, and intervention; the use of the internet for incitement and radicalization; legal frameworks in the fight against terrorism; and rehabilitation and reintegration of violent extremist offenders.

Israel continued to cooperate with numerous countries regarding efforts to thwart terrorist attacks and plots against Israelis or Israeli interests abroad. In July, Israel and the United States held an interagency counterterrorism dialogue to discuss the broad range of threats in the region and to determine areas of collaboration to address these challenges. Additionally, during 2015, Israel conducted talks on counterterrorism issues with several countries and organizations including Bulgaria, China, France, Germany, Greece, India, Kyrgyzstan, Russia, Thailand, the UK, the EU, and NATO.

There are restrictions by Israel of movement within the Palestinian territories and of goods moving in and out.

The Arab League (comprising 22 Arab member states) has boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

The implementation of the boycott has varied over time among member states.

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	64
World Governance Indicator – Control of Corruption	78

US State Department

Bribery and other forms of corruption are illegal under several Israeli laws and Civil Service regulations. Israel became a signatory to the OECD Bribery convention in November 2008 and became a full member of the OECD in May 2010. Israel is ranked 25th out of the 34 OECD members. There are several NGOs that focus on public sector ethics. Transparency International has a local chapter in Israel. Israel was ranked 36th in Transparency International's 2013 Corruption Perceptions Index, and was also ranked 36th in 2011.

OECD Follow- Report On The Implementation Of The Phase 2 Recommendations Application Of The Convention On Combating Bribery Of Foreign Public Officials In International Business Transactions And The 2009 Recommendation For Further Combating Bribery Of Foreign Public Officials In International Business Transactions

Summary of findings:

In March 2012, Israel presented its Written Follow-Up Report, outlining its responses to the recommendations and follow-up issues identified by the Working Group on Bribery at the time of Israel's Phase 2 examination in December 2009. Since Phase 2, Israel has neither prosecuted nor adjudicated any case of bribery of a foreign public official, therefore the follow-up issues remain open.

The Working Group welcomed the extensive information provided by the Israeli authorities in the course of this follow-up evaluation and recognised Israel's efforts to implement the Phase 2 recommendations. Following Israel's submission of its Written Follow-Up Report, the Lead Examiners sent a list of additional questions to Israel. The supplementary information received in response to these questions is included in Annex I. As concerns the Phase 2 examination, the Working Group considers that Israel has satisfactorily implemented 16 out of the 22 recommendations, while 4 recommendations have been partially implemented and 2 recommendations have not been implemented. In addition, 4 recommendations were considered to be satisfactorily implemented but converted to follow-up issues for evaluation once there are examples of application in practice.

With respect to raising awareness of the foreign bribery offence in the public and private sectors, the Working Group acknowledged significant efforts on the part of the Israeli government, including numerous seminars for public officials on the operation of the foreign bribery offence, as well as engagement of Israeli businesses operating abroad by Israeli overseas missions (Recommendations 1 and 2(a)). Relevant official documents had also been made available in three languages: Hebrew, Arabic, and English (Recommendation 2(b)). While Israel had taken steps to raise awareness of public sector whistleblower protection mechanisms (Recommendation 3(b)), there had been no attempt since Phase 2 to enhance protection for whistleblowers in the private sector (Recommendation 3(a)).

In relation to the detection and reporting of foreign bribery, the Deputy Attorney General (Criminal Affairs) has decided to propose an amendment of the Civil Service (Discipline) Law 5723-1963 to enact a reporting obligation for Israeli public officials (Recommendation 4(a)). Subject to the approval of the relevant government officials, a draft bill will be issued in this regard. In addition, the Deputy State Attorney issued a binding instruction requiring the Military Censor to forward any suppressed information raising suspicions of foreign bribery (Recommendation 4(b)). Given that no information had been forwarded to date, it was decided to follow-up the application of this instruction in practice. With regard to Israel's export credit agency, the Working Group heard that Ashra'a undertook training of its agents in relation to the foreign bribery offence, as required, and will engage with the OECD Export Credit Group in 2012 on the issue of requiring clients to incorporate anti-bribery clauses when engaging sub-contractors (Recommendation 5). In terms of detection within the defence industry, Israel had called upon defence exporters to adopt and implement anti-corruption compliance measures and to participate in anti-corruption seminars and conferences. The Ministry of Defence introduced a compulsory anti-corruption declaration by companies prior to granting defence export licenses and in one case had suspended a marketing and export licence following the laying of charges against an Israeli defence company in another jurisdiction (Recommendation 6). The Working Group decided to follow up practical implementation of Israel's mechanisms for considering defence companies' involvement in foreign bribery allegations indictments, prosecutions and convictions prior to and during defence export licensing.

With regard to the non-tax deductibility of bribes, the Working Group noted that Israel had issued binding Income Tax Circular 2/2011 clarifying this issue (Recommendation 7(a)) and had undertaken significant awareness raising activities with respect to tax officials (Recommendation 7(b)). Israel also reported that the Commentary to Article 26(2) of the OECD Model Tax Convention is included in bilateral tax treaties as a result of bilateral negotiations (Recommendation 7(c)).

Israel had taken steps to increase the capacity of its Police Legal Assistance Unit to respond to requests for mutual legal assistance (MLA): staff numbers were increased significantly, however only one of the six MLA requests relating to foreign bribery cases received since Phase 2 had been completed (Recommendation 8(a)). The Working Group therefore decided to follow up the issue of the adequacy of police resources necessary to provide prompt and effective legal assistance in future evaluations. In relation to investigating allegations, as part of preliminary examinations conducted by the Israel Police, Israel had made informal information requests in relation to two separate allegations of bribery of foreign public officials by Israeli companies, but had not opened any formal investigations

since Phase 2 (Recommendation 8(b)). On this basis, the Working Group will continue to follow-up on Israel's progress in pursuing investigations into foreign bribery cases.

In relation to issues identified in Phase 2 in Israel's legal framework for combating bribery of foreign public officials, Israel has amended the Penal law to remove the dual criminality requirement for the foreign bribery offence (Article 15(b)), and include a political entity that is not a state, including the Palestinian Council within the definition of „Foreign State“ (Article 291A) (Recommendations 9(a) and (b)). On the issue of liability of legal persons, encouraging steps had been taken by Israel to raise awareness and to initiate a reflection on the liability of legal persons in Israel with a working team formed by the Minister of Justice to review the issue. However, enforcement of the liability of legal persons remained limited for intentional offences and Israel had not taken measures to ensure a broad scope for triggering corporate liability, so as to notably cover legal persons with decentralised decision-making processes and ensure that the need to identify a natural person does not prevent effective prosecution of legal persons (Recommendation 10).

The Working Group welcomed amendments to the sanctions regimes for natural persons (from 3.5 years to 7 years' imprisonment and from 202 000 ILS to about 1,100,000 ILS maximum fines) or four times the obtained or intended benefit- whichever is higher, and for legal persons (from a maximum fine of 202 000 ILS to about 2,200,000 ILS or four times the obtained or intended benefit- whichever is higher), but decided to follow-up on the application of these increased sanctions in practice, to determine whether they are effective, proportionate and dissuasive (Recommendations 12(a) and (b)). Israel has also implemented anti-bribery clauses and declarations in ODA and defence and export credit contracts, setting out the grounds for denial of these contracts to legal and natural persons convicted of foreign bribery. In relation to public procurement tender procedures, Israel reported that an Administrative Ordinance was being drafted to establish a procedure for preventing natural and legal persons convicted of foreign bribery from competing in tender processes (Recommendation 12(c)).

Israel had taken steps to encourage companies to continue to develop and adopt compliance programs and had taken steps to develop and strengthen monitoring bodies including by amending the Companies Law to apply reporting rules for public companies to some private entities (Recommendation 11(a)). In relation to the accounting and auditing profession, Israel repeated its assertion from Phase 2, that the statutory obligation to prevent an offence contained in Article 262 of the Penal Law applied to this profession. The Working Group considered that this remained to be clarified, and that guidelines and training for current members of the profession was still required (Recommendation 11(b)).

The Working Group noted that it was not possible to ascertain whether certain recommendations in Israel's Phase 2 report had been implemented in the absence of concluded cases involving the offence of bribery of foreign public officials.

Section 3 - Economy

Israel has a technologically advanced market economy. Cut diamonds, high-technology equipment, and pharmaceuticals are among the leading exports. Its major imports include crude oil, grains, raw materials, and military equipment. Israel usually posts sizable trade deficits, which are covered by tourism and other service exports, as well as significant foreign investment inflows. Between 2004 and 2011, growth averaged nearly 5% per year, led by exports. The global financial crisis of 2008-09 spurred a brief recession in Israel, but the country entered the crisis with solid fundamentals, following years of prudent fiscal policy and a resilient banking sector. In 2010, Israel formally acceded to the OECD. Israel's economy also has weathered the Arab Spring because strong trade ties outside the Middle East have insulated the economy from spillover effects. The economy has recovered better than most advanced, comparably sized economies, but slowing demand domestically and internationally, and a strong shekel, have reduced forecasts for the next decade to the 3% level. Natural gas fields discovered off Israel's coast since 2009 have brightened Israel's energy security outlook. The Tamar and Leviathan fields were some of the world's largest offshore natural gas finds this past decade. The massive Leviathan field is not due to come online until 2018, but production from Tamar provided a one percentage point boost to Israel's GDP in 2013 and is expected to contribute 0.5% growth in 2014. In mid-2011, public protests arose around income inequality and rising housing and commodity prices. Israel's income inequality and poverty rates are among the highest of OECD countries and there is a broad perception among the public that a small number of "tycoons" have a cartel-like grip over the major parts of the economy. The government formed committees to address some of the grievances but has maintained that it will not engage in deficit spending to satisfy populist demands. In May 2013 the Israeli government, in a politically difficult process, passed an austerity budget to reign in the deficit and restore confidence in the government's fiscal position. Over the long term, Israel faces structural issues, including low labor participation rates for its fastest growing social segments - the ultra-orthodox and Arab-Israeli communities. Also, Israel's progressive, globally competitive, knowledge-based technology sector employs only 9% of the workforce, with the rest employed in manufacturing and services - sectors which face downward wage pressures from global competition.

Agriculture - products:

citrus, vegetables, cotton; beef, poultry, dairy products

Industries:

high-technology products (including aviation, communications, computer-aided design and manufactures, medical electronics, fiber optics), wood and paper products, potash and phosphates, food, beverages, and tobacco, caustic soda, cement, construction, metals products, chemical products, plastics, diamond cutting, textiles, footwear

Exports - commodities:

machinery and equipment, software, cut diamonds, agricultural products, chemicals, textiles and apparel

Exports - partners:

US 27.8%, Hong Kong 7.7%, UK 5.7%, Belgium 4.6%, China 4.3% (2012)

Imports - commodities:

raw materials, military equipment, investment goods, rough diamonds, fuels, grain, consumer goods

Imports - partners:

US 12.9%, China 7.3%, Germany 6.3%, Switzerland 5.5%, Belgium 4.8% (2012)

Banking

Israel has a modern and sophisticated banking system. Three large banks - Bank Hapoalim, Bank Leumi, and Israel Discount Bank - dominate Israel's banking sector. Bank Leumi had assets of USD 86.6 billion at the end of 2008; Bank Hapoalim had assets of USD 85.5 billion at the end of 2008, and Discount Bank, the third largest bank, had assets of USD 50.7 billion at the end of 2008. Bank Hapoalim was fully privatized in 2000. Citibank was the first large international bank to set up a full branch in Israel. HSBC soon followed suit. The government does not interfere in the day-to-day management of the banks. Most types of loans and project financing traditionally available in industrialized countries are available in Israel.

Stock Exchange

Founded in 1953, The [Tel Aviv Stock Exchange](#) (colloquially known as the Bursa) in Tel Aviv, is Israel's only stock exchange.

Executive Summary

Israel has an entrepreneurial spirit and a creative, highly-educated, skilled, and diverse workforce. Israel is a leader in innovation in a variety of sectors, and many Israeli start-ups find good partners in American companies. Israel, popularly known as the “start-up nation,” invests highly in education and scientific research, and many leading multinational companies have established research and development (R&D) centers here. Various Israeli Government agencies fund incubators for early stage technology start-ups, and Israel provides extensive support for new ideas and technologies and also seeks to develop more traditional industries. Private venture capital funds have flourished in Israel in recent years.

The fundamentals of the Israeli economy are strong, and the economy proved flexible and adaptable through the worldwide financial crisis. With low inflation, relatively low unemployment, and fiscal deficits that have usually met targets, Israeli Government economic policies are considered by most analysts as generally sound and supportive of growth. The Government continues to take actions to remove trade barriers and encourage capital investment, including foreign investment. Israel seeks to provide supportive conditions for companies looking to invest in Israel, through laws that encourage capital and industrial R&D investment. Incentives and benefits include grants, reduced tax rates, tax exemptions, and other tax-related benefits.

1. Openness to, and restrictions upon, foreign investment

Israel is open to foreign investment, and the government actively encourages and supports the inflow of foreign capital. There are few restrictions on foreign investors, except for in parts of defense or other industries closed to outside investors on national security grounds. There is no screening of foreign investment and no regulations regarding acquisitions, mergers, and takeovers that differ from those that Israelis must follow. Foreign investors are welcome to participate in Israel's privatization program. Investments in regulated industries (e.g. banking, insurance), however, require prior government approval. Investments in certain sectors may require a government license. Other regulations may apply, though usually on a national treatment basis. The Investment Promotion Center of the Ministry of Economy seeks to encourage potential investors to invest in Israel. The Center stresses Israel's developed infrastructure, educated work force, open economy, and ties to the U.S. and Europe, and additionally provides information about investment incentives available in Israel.

2. Conversion and Transfer Policies

Israel's foreign exchange liberalization process was completed on January 1, 2003, when the last restrictions placed on the ability of institutional investors to invest abroad were removed. Foreign currency controls have been completely abolished and the Israeli shekel is a freely convertible currency. The Bank of Israel maintains the option to intervene in foreign currency trading in situations of extraordinary movements in the exchange rate which are not in line with fundamental economic conditions, or when the foreign exchange market is not functioning appropriately. Israeli individuals can invest without restriction in foreign markets. Foreign investors can open shekel accounts that allow them to invest freely in Israeli companies and securities. These shekel accounts are fully convertible into foreign exchange.

Most transactions must be carried out through an authorized dealer. An authorized dealer is a banking institution licensed to arrange, inter alia, foreign currency transactions for its clients. The authorized dealer must report large foreign exchange transactions to the Controller of Foreign Currency. There are no limitations or significant delays in the remittance of profits, debt service and capital gains.

3. Expropriation and Compensation

There have been no expropriations of U.S.-owned businesses in Israel in the recent past. Israeli law requires adequate payment, with interest from day of expropriation until final payment, in cases of expropriation.

4. Dispute Settlement

Israel has a written and consistently applied commercial law based on the British Companies Act of 1948 as amended. Israel's commercial law contains standard provisions governing company bankruptcy and liquidation. Personal bankruptcy is covered by a separate bankruptcy ordinance. Monetary judgments are always awarded in local currency. The judiciary is independent, but businesses complain about the length of time required to obtain adjudications. The GOI accepts binding international arbitration of investment disputes between foreign investors and the state. Israel is a member of the International Center for the Settlement of Investment Disputes (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

5. Performance Requirements/Incentives

There are no universal performance requirements on investments, but performance requirements, including inbound investment "offset" requirements, are often included in sales contracts with the government. In some sectors, there is a requirement that Israelis own a percentage of a company. Israel's visa and residency requirements are transparent. The GOI does not impose preferential policies on exports by foreign investors. Israel complies with the WTO agreement on Trade Related Investment Measures (TRIMs).

The State of Israel encourages both local and foreign investment by offering a wide range of incentives and benefits to investors in industry, tourism and real estate. Special emphasis is given to hi-tech companies and R&D activities.

All benefits available to Israelis are also available to foreign investors. Some of the benefits and requirements are described below. Investment incentives are outlined in the Law for the Encouragement of Capital Investment, and are coordinated by the Israel Investment Center (IIC).

For complete information, potential investors should contact:

- Investment Promotion Center
- Ministry of Economy
- 5 Bank of Israel Street,
- Jerusalem 91036

- Tel: 972-2-666-2607
- Fax: 972-2-666-2938
- Website: www.investinIsrael.gov.il
- E-Mail: InvestinIsrael@moital.gov.il
- Israel Investment Center
- Ministry of Economy
- 5 Bank of Israel Street,
- Jerusalem 91036 490.
- <http://www.moital.gov.il/NR/exeres/111C2143-2296-44C0-96F9-C29C082A19CC.htm>
- Tel: 972-2-666.2236
- Fax: 972-2-666.2905

The Ministry asks that requests be in writing.

Summary of Incentives of the Law for the Encouragement of Capital Investment

Investment Incentives

<http://www.investinIsrael.gov.il/NR/exeres/08348DA2-83D3-47B1-B043-ED418D9AA846.htm>

Investment incentives are outlined in the Law for the Encouragement of Capital Investment, and are coordinated by the Israel Investment Center (IIC).

Qualification requirements

<http://www.investinIsrael.gov.il/NR/exeres/08348DA2-83D3-47B1-B043-ED418D9AA846.htm>

To qualify for benefits under the law the company has to be an "industrial company" registered in Israel and has to be "internationally competitive" (i.e. have export capability). However, Biotechnology and Nanotechnology companies do not have to meet the "export" requirement to qualify.

An investment in the Priority Area recognized by the law will be termed an Approved Investment and the company will be designated an Approved Enterprise.

R&D Incentives

The Office of the Chief Scientist (OCS) of the Ministry of Economy is responsible for implementing the government policy of encouraging and supporting industrial research and development in Israel. The OCS provides a variety of support programs that operate on a yearly budget of about \$230 million. This is spent on about 775 projects undertaken by 500 companies. These programs have helped make Israel a major center of hi-tech entrepreneurship.

The main OCS program (the R&D Fund) supports R&D projects of Israeli companies by offering conditional grants of up to 50% of the approved R&D expenditure. If the project is commercially successful, the company shall be under the obligation to repay the grant by royalty payments.

A support program for traditional industry was launched in 2005 by the OCS, which offers separate evaluation and discussion for projects from traditional industries. The Office of the Chief Scientist web site (above) also includes information about international support, including bi-national funds, the Global Enterprise R & D Cooperative Framework, Project Centers, and domestic support programs.

Support for R&D Centers of Foreign Companies

There are four programs that enable High-Technology R&D Centers of Foreign Companies to receive government support which can be accessed through the following link.

<http://www.israelbusiness.org.il/financialassistance/rdincentives>.

Financial R&D Centers Support Program

<http://www.investinIsrael.gov.il/NR/exeres/6EAE7AD8-96B0-44E2-8DEC-26F421A24594.htm>

Israel has developed a highly dynamic and vibrant Financial Services IT sector. In order to capitalize on the capabilities of this sector the Ministry of Economy has devised an innovative support program directed at foreign Multi-National financial and banking corporations.

To qualify the following criteria must be met:

- The applicant is a foreign company and does not conduct any R&D activities in Israel;
- Operates in the financial sector; and
- Has a turnover in excess of \$10 billion.

Employment Grants

In order to complement the revised Law for the Encouragement of Capital Investments, the government has decided to establish an additional program to increase employment in the outlying areas of Israel as well as in specific centers with high unemployment.

<http://www.investinIsrael.gov.il/NR/exeres/EECEBB1D-866C-4D5D-9FB4-593C556622D7.htm>The Standard Program

In order to complement the revised Law for the Encouragement of Capital Investments, the government has decided to establish an additional program to increase employment in the outlying areas of Israel as well as in specific centers with high unemployment. Support will be granted for the establishment or expansion of industrial plants, telephone call centers, computer service support centers or logistic centers. In order to be eligible for this program these enterprises will have to employ a minimum number of workers at a minimum wage as detailed below. The maximum support per worker will be 135,000 NIS (~ \$34,000) over a period of 30 months or 4,500 NIS (~ \$1,100) per month.

Employment Grant Program for High Salaries (R&D Centers)

The Ministry of Economy has launched an incentive program for supporting industrial companies established in the Negev (south) and Galilee (north) that pay high salaries to their workers. This program is part of a long term plan to promote the establishment of hi-tech companies in outlying areas and to create high-paying employment centers.

The Employment Grant Program for Anchor (Large) Enterprises

The Ministry of Economy has launched a new incentive program for encouraging employment in large enterprises in the Negev (south) and Galilee (north). This new program is part of a long term plan for the Negev and Galilee to increase employment possibilities in the north and south of Israel. To qualify industrial companies have to employ at least 100 workers at their plant. The program offers the investor employment grants that will be determined as a percentage of the employer's salary costs for each new employee, for a period of 4 years.

Film Law Benefits

The main aim of the law is to encourage the production of foreign films in Israel. To this end, the law offers generous tax benefits that reduce the cost of production by up to 20%. The Law for the Encouragement of the Production of Films was approved by the Israeli Knesset on October 28th, 2008. The law recognizes two models: foreign productions and co-productions

In both cases, the benefits by law accrue to an Israeli production company who is expected to pass on these benefits to the foreign production company.

<http://www.investinIsrael.gov.il/NR/exeres/9DF0E022-7076-45C7-A8C9-FCA9603D5EF6.htm>

Start-up Incubators

As repositories of potential ideas, the Israeli technological incubators have helped make Israel's high-tech entrepreneurship capability world-renowned. The Office of the Chief Scientist (OCS) of the Ministry of Economy has the responsibility of implementing the government policy of encouraging and supporting industrial research and development in Israel at the earliest stages.

<http://www.investinIsrael.gov.il/NR/exeres/2EC10169-510E-4A60-80F6-BAFD466F7DED.htm>

Business Grants for Employing New Immigrants

Businesses are eligible to receive grants for employing new immigrants and returning Israelis from The Ministry of Immigrant Absorption's Center for Absorption in Science.

<http://www.investinIsrael.gov.il/NR/exeres/D2884B15-03DA-42FC-8316-54E565658641.htm>

Training Support Program

The Manpower Training Department in the Ministry of Economy actively assists industrial companies to train workers in the different disciplines and professions as required by the company.

<http://www.investinIsrael.gov.il/NR/exeres/A3C87DA0-1155-41B8-BA7D-97A8431F4013.htm>

The support program is offered via three possible programs:

(1) "Plant Class" whereby the department will support the opening of a class numbering at least 18 to train the workers in the specific skills as required by the company. The main condition being that the company obligates itself to employ at least 50% of the class graduates.

(2) "Training and Placement Class". This program is intended for employers and institutions that wish to train workers in specific disciplines and professions. The company/institution commits itself to employ at least 50% of the class graduates within 6 months of the completion of the course. The Department will finance the entire cost of running these classes.

(3) "Internal Plant Training". This program assists employers who wish to have an on-the-job training project in their plant.

The Department will assist by paying 1,100 – 1,500 NIS (~\$250 - \$350) per worker in this program.

Invest in Israel website homepage for investment incentives:

<http://www.investinIsrael.gov.il/NR/exeres/2A82DCE7-9B2D-4581-83B7-8C518D8323D1.htm>

6. Right to Private Ownership and Establishment

The Israeli legal system protects the right of both foreign and domestic entities to establish and own business enterprises, as well as the right to engage in remunerative activity. Private enterprises are free to establish, acquire, and dispose of interests in business enterprises. As part of its current privatization efforts, the Israeli government actively encourages foreign investment in privatizing government owned entities.

Following massive social protests in the summer of 2011, the government established a committee to address the issues raised. The committee recommended decentralizing control of essential infrastructure, in order to prevent the transfer of control in state infrastructure to the hands of a few (i.e.; existing domestic business conglomerates). It also led to legislation of a business concentrations law, which was approved by the Knesset at the end of 2013. While most of the legislation was aimed at reducing the concentration of private holdings in the hands of a few wealthy families and tycoons, the intention is that it will have an impact on future privatizations of remaining government owned entities.

It is government policy to equalize competition between private and public enterprises, although the existence of monopolies and oligopolies in several sectors stifles competition. In the case of designated monopolies, defined as entities that supply more than 50% of the market, the government controls prices.

7. Protection of Property Rights

Israel has a modern legal system based on British common law that provides effective means for enforcing property and contractual rights. Courts are independent. Israeli civil procedures provide that judgments of foreign courts may be accepted and enforced by local courts. Secured interests in property are recognized and enforced by the Israeli judicial system. A

reliable system of recording such security interests exists. Patent protection is provided for twenty years from filing. Both product and process patent protection for pharmaceuticals are permitted. However, the Israeli patent system still allows for pre-grant opposition to patents, which may result in significant delays for some applicants. Israel employs compulsory licensing in very limited circumstances, mostly when the product is not being supplied in Israel on "reasonable" terms.

Israel is a member of the WTO and the World Intellectual Property Organization (WIPO). It is a signatory to the Berne Convention for the Protection of Literary and Artistic Works, the Universal Copyright Convention, the Paris Convention for the Protection of Industrial Property, and the Patent Cooperation Treaty. Israel was obligated to implement the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) by January 1, 2000 but has failed to do so to date. Consideration of implementation remains under consideration by the government.

Until February 2014, Israeli law provided inadequate intellectual property protections against unfair commercial use of data generated to obtain marketing approval for pharmaceuticals, which discouraged U.S. companies from substantial investment in the health sector. As a result of these deficiencies in Israel's intellectual property regime, the U.S. placed Israel on the USTR's Special 301 "Priority Watch List" in 2005. In February of 2010, Israel reached agreement with the U.S. to modify its intellectual property laws to address shortcomings in its treatment of new pharmaceutical products related to data exclusivity, patent term extension and publication of patent applications. In February 2014, in response to Israel's enactment of the final piece of legislation specified in the agreement, the U.S. removed Israel from the Special 301 Watch List.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: Tom Coleman ColemanTM@state.gov through August 2014, and then Charles Brown BrownCL3@state.gov

Local lawyers list: <http://israel.usembassy.gov/lawyers.html>

Copyright

Israel's present copyright law is based on the United Kingdom Copyright Act of 1911, with subsequent amendments. Protections include the exclusive right to (a) copy or reproduce the work; (b) produce, reproduce, perform or publish translations; (c) publicly perform plays or novels; and (d) make recordings of literary, dramatic or musical works. Criminal penalties are also provided for certain commercial infringing activities. Recently passed copyright legislation is an improvement over old Israeli law in that it is more modern in its structure, terminology and scope. Temporary copies are explicitly protected and a "making available" right is explicitly provided. Under this law, a person who is a non-Israeli national has no rights in their sound recordings that were not published for the first time in Israel, unless the person is a national of a country that has an agreement with Israel concerning sound recordings. In the case of the United States, the Israeli government promulgated an order which implements a 1950 bilateral agreement between Israel and the United States which does protect U.S.

sound recordings. The term of protection for sound recordings is 50 years; for other works, it is the lifetime of the author plus 70 years.

Copyright law in Israel also falls short of certain protections that have become common in the copyright laws of developed countries including, protection of "technological protection measures," "rights management information," provisions related to internet service provider liability and safe harbors and parallel import protection. Israel has also not acceded to the WIPO Internet Treaties; however, it is reviewing a draft exposure bill that is in conformance with the WIPO Copyright Treaty. The Ministry of Justice indicated that if the Copyright Treaty is successfully implemented, it will proceed with similar action on the WIPO Performances and Phonograms Treaty.

8. Transparency of the Regulatory System

It is government policy to encourage increased competition through market liberalization and deregulation, but tax, labor, health, and safety laws can be impediments to the foreign investor. Although the current trend is towards deregulation, Israel's bureaucracy can still be difficult to navigate, especially for the foreign investor unfamiliar with the system. It is important that potential investors get approvals or other commitments made by regulatory officials in writing before proceeding rather than relying on unofficial oral promises.

Israel is a signatory to the WTO Agreement on Government Procurement (GPA), which covers most Israeli government entities and government-owned corporations. Most of the country's open international public tenders are published in the local press. However, government-owned corporations make extensive use of selective tendering procedures. In addition, the lack of transparency in the public procurement process discourages U.S. companies from participating in major projects and disadvantages those that choose to compete. Enforcement of the public procurement laws and regulations is not consistent.

Natural Gas Sector

The discovery by an American-Israeli consortium of substantial offshore natural gas resources in Israel in 2009 and 2010 has created major investment opportunities in this sector, and a few firms, including U.S. companies, are making significant investments. As Israel moves toward becoming a significant producer, the Israeli government is developing new regulations to oversee the sector, ensure competition, attract investment, and achieve broader energy policy goals. The Israeli Government's difficult work to develop natural gas regulations almost from scratch has led some investors to complain about uncertainties regarding taxation, licensing, and export policy. However, with time, these issues are being clarified in a way that promotes further and quicker development, and long term prospects for the sector are excellent.

9. Efficient Capital Markets and Portfolio Investment

Credit is ostensibly allocated according to market terms. However up to 70% of credit in Israel is issued to a handful of individuals and corporate entities, some of whom own controlling interests in banks. Furthermore, the primary profit centers for banks are various consumer banking fees, i.e. credit is given on preferential terms. Various credit instruments are available to the private sector, and foreign investors can receive credit on the local market. Legal, regulatory, and accounting systems are transparent and conform to international norms,

although the prevalence of inflation-adjusted accounting means that there are differences from U.S. accounting principles.

There are five major banks in Israel. Bank Leumi and Bank Hapoalim, the two largest banks, dominate the market, followed by Israel Discount Bank. At CY end 2013, Bank Leumi had assets of USD 107.5 billion, Bank Hapoalim had assets of USD 107.5 billion, and Israel Discount Bank had assets of USD 57.4 billion. Israeli banks have all been privatized except for Leumi, with 6 percent of shares remaining in the hands of the State of Israel.

In the case of publicly traded firms where ownership is widely dispersed, the practice of "cross-shareholding" and "stable shareholder" arrangements to prevent mergers and acquisitions is common, but not directed in particular at preventing potential foreign investment. While until now a number of companies have had "pyramidal-like" structures, the business concentrations law, which was approved by the Knesset at the end of 2013, is intended to alleviate this going forward. Hostile takeovers are a virtually unknown phenomenon in Israel, given the high concentration of ownership of most firms. Israel has no laws or regulations regarding the adoption by private firms of articles of incorporation or association that limit or prohibit foreign investment, participation, or control.

10. Competition from State-Owned Enterprises (SOEs)

The Government Companies Authority (GCA) was established and operates under the Government Companies Law. This is an auxiliary unit of the Ministry of Finance. The GCA is the administrative agency for state-owned companies in charge of supervision, privatization and implementation of structural changes.

The GCA oversees some 100 companies including commercial and noncommercial companies, government subsidiaries, and companies under mixed government-private ownership. Among these companies are some of the biggest and most complex in the Israeli economy, such as The Israel Electric Corporation, Israel Aerospace Industries, Rafael Advanced Defense Systems, Israel Postal Company, Mekorot Israel National Water Company, Israel Natural Gas Lines, the Ashdod, Haifa and Eilat Port Companies, Israel Railways, Petroleum and Energy Infrastructures, Israel National Roads Company, advanced study funds, and housing companies.

There are no sovereign wealth funds (SWF) in Israel. However, active consideration of establishing a SWF in light of the discoveries of major offshore natural gas fields is underway.

11. Corporate Social Responsibility

There is awareness of CSR among enterprises and the civil society. Israel adheres to the OECD Guidelines for Multinational Enterprises and a National Contact Point is operating in the Foreign Trade Administration.

See below also for CSR activities in NGOs.

Maala-Business for Social Responsibility:

<http://www.maala.org.il/eng/home/about/01/default.asp?ContentID=333>

12. Political Violence

Israel is a parliamentary democracy with a stable domestic environment. Nonetheless, the conflict between Israel and the Palestinians is unresolved, and the risk of politically motivated violence and terrorism continues. Militant groups in Gaza fired rockets at Israel in 2013, but at a significantly reduced level from 2012. The vast majority of attacks were concentrated in southern communities near the Gaza Strip. The Iron Dome missile defense system has to date intercepted the majority of rockets and mortars aimed at populated areas, sharply limiting Israeli casualties and property damage.

Heightened tensions between Iran and Israel due to concerns over Tehran's nuclear program and its support for terrorism also present the potential for regional conflict. The borders with Lebanon and Syria are closed, but instability in Syria and threats from the Iran-backed terrorist group Hezbollah in Lebanon also present some risk of violent incidents or conflict. Israel signed peace treaties with Egypt (1979) and Jordan (1994).

13. Corruption

Bribery and other forms of corruption are illegal under several Israeli laws and Civil Service regulations. Israel became a signatory to the OECD Bribery convention in November 2008 and became a full member of the OECD in May 2010. Israel is ranked 25th out of the 34 OECD members. There are several NGOs that focus on public sector ethics. Transparency International has a local chapter in Israel. Israel was ranked 36th in Transparency International's 2013 Corruption Perceptions Index, and was also ranked 36th in 2011.

14. Bilateral Investment Agreements

Israel has protection of investment agreements with Albania, Argentina, Armenia, Azerbaijan, Belarus, Bulgaria (amending protocol), China, Croatia (Treaty in force, negotiations for amendment, resulting from Croatia's accession to the EU are underway), Cyprus, Czech Republic, El Salvador, Estonia, Ethiopia, Georgia, Germany, Guatemala, Hungary (treaty terminated in 2007, existing investments are protected for ten years after termination), India, Kazakhstan, Latvia, Lithuania, Macedonia, FYR initialed, Moldova, Mongolia, Montenegro, Poland, Romania (amending protocol), Serbia, Slovakia, Slovenia (terminated 2007, existing investments protected for ten years after termination), South Africa (pending ratification), South Korea, Thailand, Turkey, Turkmenistan, Ukraine, Uruguay, and Uzbekistan.

15. OPIC and Other Investment Insurance Programs

OPIC is involved in several small projects in Israel and recently authorized a \$250 million construction loan for a 110MW Abengoa-backed concentrated solar power (CSP) project in the Negev. OPIC also finances projects sponsored by U.S. investors in Israel, but not in the Golan Heights. Israel is a member of the Multilateral Investment Guarantee Agency (MIGA).

16. Labor

There are about 3.7 million people in the labor force in Israel. Highly skilled and well educated, the Israeli labor force is the economy's major asset. More than 24% have university degrees. More than 30% of university students specialize in fields with high industrial R&D potential, including engineering, mathematics, physical sciences, and medicine. According to the Investment Promotion Center, there are more than 135 scientists out of every 100,000 workers, the highest in the world. The rapid growth of Israel's high-tech industries in the late

1990s increased the demand for workers with specialized skills. However, in recent years, Israel has consistently ranked in the lower half of Western countries in rankings of international student assessment tests.

Unemployment has declined over the past five years, from a high of 9.5% in 2009 as a result of the financial crisis, to 6.7% in 2010, 7.1% in 2011, 6.9% in 2012 and 6.2% in 2013.

According to Bank of Israel statistics, there has been a steady increase in the number of foreign workers in recent years: from 193,000 in 2007 to 211,000 in 2008 to more than 220,000 in 2009 and 2010. Following a drop to 215,000 in 2011, the number rose to 222,000 in 2012. In late 2012, the Israeli government increased the number of permits for Palestinians to work in Israel to 41,500.

The national labor federation, the Histadrut, organizes about one-third of Israeli workers. Collective bargaining negotiations in the public sector take place between Histadrut and representatives from the Ministry of Finance. The number of strikes has declined significantly as the public sector has gotten smaller. However, strikes remain a common and viable negotiating vehicle in many difficult wage negotiations.

Israel strictly observes the Friday afternoon to Saturday afternoon Sabbath and special permits must be obtained from the government authorizing Sabbath employment. At the age of 18, most Israelis are required to perform 2-3 years of national service. Until their mid-40's, Israeli males are required to perform about a month military reserve duty annually, during which time they receive compensation from national insurance companies.

17. Foreign Trade Zones/Ports

Israel has one free trade zone, the Red Sea port city of Eilat. There are three ports in Israel: Haifa Port (including Kishon), the Port of Ashdod and the Port of Eilat. The GOI has plans to expand and upgrade the major ports of Haifa (in the north) and Ashdod (in the center). There is good quality warehousing including cold storage in all of the major ports and trade zones, but current capacity may become inadequate in the face of growing demand.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Foreign Direct Investments (FDI) totaled USD 5.5 billion in 2010, USD 10.8 billion in 2011, USD 9.5 billion in 2012 and USD 11.8 billion in 2013.

Section 5 - Government

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

mixed legal system of English common law, British Mandate regulations, and Jewish, Christian, and Muslim religious laws

International organization participation:

BIS, BSEC (observer), CE (observer), CICA, EBRD, FAO, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, OAS (observer), OECD, OPCW (signatory), OSCE (partner), Paris Club (associate), PCA, SELEC (observer), UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO






















Section 6 - Tax






















Exchange control

There are no exchange controls in Israel and foreign currency can be freely transferred in and out of the country.

Treaty and non-treaty withholding tax rates -

Israel has signed **53 agreements (53 DTC agreements)** providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Austria	DTC	29 Jan 1970	26 Jan 1971	No	No	
Belarus	DTC	11 Apr 2000	1 Jan 2004	Unreviewed	No	
Belgium	DTC	13 Jul 1972	4 Nov 1975	Yes	No	
Brazil	DTC	12 Dec 2002	21 Sep 2005	Yes	No	
Bulgaria	DTC	18 Jan 2000	1 Jan 2003	Unreviewed	No	
Canada	DTC	21 Jul 1975	27 Jul 1976	Yes	No	
China	DTC	8 Apr 1995	1 Jan 1996	Yes	No	
Chinese Taipei	DTC	18 Dec 2009	24 Dec 2009	Unreviewed	No	
Croatia	DTC	26 Sep 2006	1 Jan 2008	Unreviewed	No	
Czech Republic	DTC	6 Dec 1993	23 Dec 1994	Yes	No	
Denmark	DTC	9 Sep 2009	29 Dec 2011	Yes	Yes	
Estonia	DTC	29 Jun 2009	28 Dec 2009	Yes	No	
Ethiopia	DTC	2 Jun 2004	1 Jan 2008	Unreviewed	No	
Finland	DTC	1 Aug 1997	1 Jan 1999	Yes	No	
France	DTC	31 Jul 1995	18 Jul 1996	Yes	No	
Georgia	DTC	12 May 2010	1 Jan 2012	Unreviewed	Yes	
Germany	DTC	9 Jul 1962	21 Aug 1966	No	No	
Greece	DTC	24 Oct 1995	6 Mar 1998	Yes	No	
Hungary	DTC	14 May 1991	13 Nov 1992	Yes	No	
India	DTC	29 Jan 1996	15 May 1996	Yes	No	
Ireland	DTC	20 Nov 1995	24 Dec 1995	Yes	No	
Italy	DTC	8 Sep 1995	6 Aug 1998	Yes	No	
Jamaica	DTC	29 Jun 1984	13 Sep 1985	Unreviewed	No	
Japan	DTC	8 Mar 1993	24 Dec 1993	Yes	No	
Korea, Republic of	DTC	18 Mar 1997	1 Jan 1998	Yes	No	
Latvia	DTC	20 Feb 2006	1 Jan 2007	Unreviewed	No	
Lithuania	DTC	11 May 2006	1 Jan 2007	Yes	No	
Luxembourg	DTC	13 Dec 2004	22 May 2006	No	No	
Malta	DTC	28 Jul 2011	not yet in force	Yes	Yes	
Mexico	DTC	19 Jul 1999	1 Jan 2000	Yes	No	
Moldova, Republic of	DTC	23 Nov 2006	1 Jan 2008	Unreviewed	No	
Netherlands	DTC	2 Jul 1973	9 Sep 1974	No	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Norway	DTC	2 Nov 1966	11 Jan 1968	Yes	No	
Panama	DTC	8 Nov 2012	not yet in force	Yes	Yes	
Philippines	DTC	9 Jun 1992	27 May 1997	Yes	No	
Poland	DTC	22 May 1991	1 Jan 1992	Yes	No	
Portugal	DTC	26 Sep 2006	18 Feb 2008	Yes	No	
Romania	DTC	15 Jun 1997	1 Jan 1999	Unreviewed	No	
Russian Federation	DTC	25 Apr 1994	1 Jan 2001	Yes	No	
Singapore	DTC	19 May 2005	6 Dec 2005	No	No	
Slovakia	DTC	8 Sep 1999	23 May 2000	Yes	No	
Slovenia	DTC	30 Jan 2007	1 Jan 2008	Yes	No	
South Africa	DTC	2 Oct 1978	27 May 1980	Yes	No	
Spain	DTC	30 Nov 1999	20 Nov 2000	Yes	No	
Sweden	DTC	22 Dec 1959	3 Jun 1960	Yes	No	
Switzerland	DTC	2 Jul 2003	22 Dec 2003	No	No	
Thailand	DTC	22 Jan 1996	1 Jan 1997	Unreviewed	No	
Turkey	DTC	14 Mar 1996	1 Jan 1999	Yes	No	
Ukraine	DTC	26 Dec 2003	1 Jan 2007	Unreviewed	No	
United Kingdom	DTC	20 Apr 1970	25 Mar 1971	No	No	
United States	DTC	20 Nov 1975	1 Jan 1995	Yes	No	
Uzbekistan	DTC	15 Sep 1998	1 Jan 2000	Unreviewed	No	
Viet nam	DTC	8 Apr 2009	1 Jan 2010	Unreviewed	No	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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