

## BANK OF ISRAEL LAW, 5714-1954\*

### Chapter One: Interpretation

#### 1. Definitions

In this Law

"**the Committee**" and "**the Council**"—the Advisory Committee and Advisory Council appointed under sections 20 and 23, respectively;

"**the Governor**"— the Governor of the Bank appointed under section 8;

"**currency**"— as defined in the New Sheqel Currency Law, 5745-1985;

"**foreign exchange**"—

- (1) currency notes, bank notes or coins other than Israel currency which are legal tender in any country, and currency notes, bank notes or coins which were at any time legal tender and which are convertible into currency which is legal tender in any country;
- (2) bills of exchange, letters of credit and balances in a bank payable otherwise than in Israel currency;

"**banking corporation**"— as defined in the Banking (Licensing) Law, 5741-1981, including an auxiliary company as defined in that Law.

### Chapter Two: The Bank of Israel and its Functions

#### 2. The Bank of Israel and its status

- (a) There is hereby established a bank to be called "Bank of Israel" (hereinafter, the Bank), which shall be a body corporate and the functions, powers and management of which shall be as provided by this Law.
- (b) The Bank may enter into contracts, acquire, hold and transfer property and be a party to any legal or other proceeding, and do any other act for the carrying into effect of this Law.

#### 3. Functions of the Bank

The functions of the Bank shall be to administer, regulate and direct the currency system, and to regulate and direct the credit and banking system in Israel, in accordance with the economic policy of the Government and the provisions of this Law, with a view to promoting by monetary measures

- (1) the stabilization of the value of the currency in Israel and outside Israel;
- (2) a high level of production, employment, national income and capital investments in Israel.

#### 4. Seat of the Bank

The Bank shall have its seat in Jerusalem, and it may open branches and appoint agents in any other place.

**Chapter Three: The Capital of the Bank,  
Reserve Fund and Distribution of Profits**

**5. Capital of the Bank**

- (a) The capital of the Bank shall be ten million Pounds.
- (b) The Minister of Finance may, upon the recommendation of the Governor and with the approval of the Finance Committee of the Knesset, direct that the capital of the Bank shall be increased and from what sources the increase shall be derived.

**6. Reserve fund**

- (a) The Bank shall have a reserve fund of an amount of ten million Pounds.
- (b) The Governor may, with the approval of the Minister of Finance and the Finance Committee of the Knesset, direct
  - (1) that the amount of the reserve fund shall be increased by way of an allocation out of the profits of the Bank;
  - (2) that moneys of the reserve fund shall be used for an increase of the capital of the Bank or to cover expenditure of the Bank which is in excess of its income.

**7. Profits of the Bank**

Within sixty days from the expiration of each business year of the Bank, the Bank shall transfer its net profits to the Government, provided that if a directive under section 6(b)(1) has been given, it shall first allocate to the reserve fund the amount prescribed in the directive.

**Chapter Four: The Governor and Deputy Governor,  
their Powers and Functions**

**8. The Governor**

The Governor of the Bank shall be appointed by the President of the State on the recommendation of the Government

**9. Functions and powers of the Governor**

- (a) The Governor shall manage the Bank.
- (b) The Governor shall serve as advisor to the Government on currency and other economic matters.

**10. Deputy Governor**

The Government shall, in consultation with the Governor, appoint a Deputy Governor or two Deputy Governors

**11. Functions of Deputy Governor**

A Deputy Governor shall carry out such functions, and shall have such powers, of the Governor as the Governor shall with the approval of the Government determine, and shall assist the Governor in carrying out his functions under this Law; in the absence of the Governor, his place shall be taken and his powers exercised by such Deputy Governor as the Government shall designate.

**12. Terms of office of Governor and Deputy Governor**

The appointments of the Governor and of a Deputy Governor shall be for five years, and they may be re-appointed; the first appointment of a Deputy Governor shall be for four years.

**13. Prohibition of other occupation**

The Governor and a Deputy Governor shall devote the whole of their working hours to the affairs of the Bank, and they may not

- (1) be members of the Knesset or members of a local authority;
- (2) hold shares, or have any other similar right, in a banking corporation;
- (3) be public officers within the meaning of the Interpretation Ordinance, or hold any governmental or other office, whether with or without remuneration;
- (4) engage in any business;

but they may -

- (1) without remuneration, represent the Government or the Bank in a Government-controlled company or carry out a function in a public or scientific institution or be appointed and act as members
- (2) accept an academic office;
- (3) with the consent of the Government, without remuneration, be members of an international commission or institution.

**14. Salary and pension of Governor and Deputy Governor**

The Government shall fix the salaries of the Governor and of a Deputy Governor.<sup>1</sup>

**15. Termination of tenure of Governor**

- (a) The President of the State may, on the written proposal of the Government, terminate the tenure of the Governor if -
  - (1) such disagreement exists between the Government and the Governor on basic questions of policy relating to the functions of the bank defined in section 3, as in the opinion of the Government prevents efficient cooperation;
  - (2) he has done an act which in the opinion of the Government is unbecoming to his status as Governor;
  - (3) he has acted in contravention of section 13;
  - (4) he has become incapable of carrying out his functions.
- (b) A proposal by the Government to the President under subsection (a) shall be brought to the notice of the Finance Committee of the Knesset at the time of its submission to the President.

**16. Salary and pension of Governor whose tenure has been terminated**

If the tenure of the Governor is terminated under subsection 15(a)(1) or (4), his salary shall be paid until the expiration of the term of office for which he was appointed, and on the expiration of such term he shall be paid a pension to be fixed in accordance with section 14; but he shall not be paid a salary as aforesaid if his tenure has been terminated under subsection 15(a) (2) or (3).

**17. Resignation of Governor in view of disagreement**

If the Government has decided to accept the resignation of the Governor after he has notified the Government that in view of disagreement between him and the Government on basic questions of policy relating to the functions of the Bank defined in section 3 he sees no possibility of efficient cooperation, and if the Government has thereupon recommended to the President of the State to accept the resignation of the Governor and the President has accepted it, the Governor shall be paid his salary until the expiration of the term of office for which he was appointed, and on the expiration of such term he shall be paid a pension to be determined in accordance with section 14.

**18. Termination of tenure of Deputy Governor**

The Government may, after consultation with the Governor, terminate the tenure of a Deputy Governor if

- (1) he has done an act which in the opinion of the Government is unbecoming to his status as Deputy Governor;
- (2) he has acted in contravention of section 13;
- (3) he has become incapable of carrying out his functions.

**19. Salary and pension of Deputy Governor whose tenure has been terminated**

If the tenure of a Deputy Governor is terminated under subsection 18(3), he shall be paid his salary until the expiration of the term of office for which he was appointed, and on the expiration of such term he shall be paid a pension to be determined in accordance with section 14; but he shall not be paid a salary as aforesaid if his tenure is terminated under subsection 18(1) or (2).

**Chapter Five: The Advisory Committee and Advisory Council,  
their Appointment and Functions**

**20. Appointment of Advisory Committee**

- (a) The Government shall appoint an Advisory Committee of not more than eleven members and shall appoint one member to be Chairman and another to be Vice-Chairman; At least seven of the members of the Committee shall not be employees of a banking corporation.
- (b) The Vice-Chairman shall carry out the functions of the Chairman whenever the latter is temporarily absent from his post.

**21. Functions of the Committee**

The Committee shall advise the Governor on every matter on which he is required by this Law to consult it and on any other matter relating to the functions of the Bank defined in section 3.

**22. Procedure of the Committee**

- (a) The Committee shall be convened by its Chairman by written invitation at least once a month and whenever the Governor requires it to be convened.
- (b) A majority of the members, including the Chairman, shall be a quorum at the meetings of the Committee.
- (c) The Governor shall be present at the meetings of the Committee.

**23. The Council and its functions**

- (a) The Government shall appoint an Advisory Council, which shall consist of the members of the Committee and ten additional members. The Chairman of the Committee shall also be the Chairman of the Council, and the Vice-Chairman of the Committee shall also be the Vice-Chairman of the Council and shall carry out the functions of the Chairman of the Council whenever the latter is temporarily absent from his post. At least ten of the members of the Council shall not be employees of a banking institution.
- (b) The Governor shall report to the Council on the shaping of the monetary policy and on all important steps to be taken to implement such policy.
- (c) The Council shall advise the Governor on any such matter relating to the functions of the Bank as may be brought before it by the Committee or placed on its agenda by any of its members.
- (d) The Council shall be convened by its Chairman by written invitation at least once every two months and whenever the Governor or seven of its members requires or require it to be convened.
- (e) A majority of the members, including the Chairman, shall be a quorum at the meetings of the Council.
- (f) The Governor shall be present at the meetings of the Council.

**24. Report on the proceedings of the Committee and the Council**

The Governor shall submit every month to the Government a report on the proceedings and resolutions of the Committee and the Council and the steps taken in consequence thereof.

**25. Ineligibility for membership of Committee or Council**

A State employee shall not be a member of the Committee or the Council.

**26. Term of office of member of Committee or Council**

A member of the Committee or the Council shall be appointed for two years and may be re-appointed.

**Chapter Six: The Money Supply**

**27. Power to issue currency**

The Bank may issue and re-issue currency of an amount not exceeding an amount fixed by the Governor in consultation with the Committee and with the approval of the Government.

**28. Prohibition of issue of currency**

- (a) No person, other than the Bank, shall issue or circulate currency notes, bank notes, coins or any document or other thing which the Governor, after consultation with the Committee, has declared capable of being used as a substitute for currency.
- (b) The Minister of Finance may confiscate any currency substitute.

**29. Liability of the Bank under currency notes and coins**

All currency is a liability of the Bank, against which the Bank shall hold, as cover, assets in its favour; however, currency held by the Bank shall not be regarded as currency issued and shall not be a part of the assets or liabilities of the Bank.

**30. Legal tender**

Currency shall be legal tender in Israel to the amount of its face value.

**31. Currency notes and coins—form and contents**

- (a) The Governor, in consultation with the Council and with the approval of the Minister of Finance, shall prescribe the face value, form, contents and other particulars of the currency notes to be issued under section 27; the notes shall bear the facsimile signatures of the Governor and the Chairman of the Council.
- (b) The Governor, in consultation with the Council and with the approval of the Minister of Finance, shall prescribe the face value, composition, weight, design and other particulars of the coins to be issued under section 27.

**32. Cancelling currency notes and coins**

- (a) The Governor, with the approval of the Government and the Finance Committee of the Knesset, may determine by order that currency notes or coins specified in the order will not be legal tender in Israel.
- (b) A person who delivers to the Bank of Israel currency notes or coins which have been cancelled as specified in subsection (a) during a period set forth in the order is entitled to receive in exchange and without fee legal tender of equivalent value.
- (c) An order under subsection (a) (hereinafter referred to as a cancellation order) shall not derogate from any enactment prescribing the currency unit or the division thereof.
- (d) Where a cancellation order has been made, then, wherever an amount payable in cash can only be paid by using a cancelled currency note or coin, such amount shall be rounded off to the nearest amount which can be paid in legal tender, and where it can be rounded off upwards or downwards, it shall be rounded off upwards.
- (e) A cancellation order may prescribe that the provisions of subsection (d) shall apply also to a payment other than a cash payment or to an account-book entry, either compulsorily or at the option of the person effecting the payment or entry.

**33. Exchange of currency**

- (a) A person who delivers to the Bank an amount of money in currency is entitled to receive from the Bank in exchange therefor, without charge, currency notes or coins of the same amount of such denomination as he may require; provided that if the Bank is unable to give a person as aforesaid currency notes or coins of the denomination required by him, it shall give him currency notes or coins of the nearest other denomination.
- (b) The duty of the bank under subsection (a) shall not be construed as a duty to give the deliverer currency of a specific character of currency issued, printed or minted in a particular year.

**33A. Commemorative coins, special coins and numismatic items**

- (a) Where the Bank issues a coin declared by the Governor, in consultation with the Government, to be a commemorative coin or a special coin or where the Bank issues a numismatic item which is legal tender in Israel, it shall, notwithstanding the provisions of section 33, give them only to a company appointed for that purpose by the Minister of Finance with the agreement of the Governor.
- (b) The provision of subsection (a) shall not prevent the Bank from keeping commemorative coins, special coins or numismatic items for itself or from making a gift thereof to whom it may think fit.
- (c) The Governor shall, with the approval of the Council, determine the face value, composition, weight, design and other particulars of the coins issued under subsection (a).

**34. Replacement of spoilt currency notes and coins**

The Government shall, upon the proposal of the Governor, make regulations for the withdrawal from circulation of spoilt or destroyed currency and for its replacement on conditions prescribed by regulations.

**35. Report on increase of the money supply**

If on any day the total money supply exceeds by fifteen per cent or more the total money supply which have been in existence at any time during the twelve months preceding that day, the Governor shall forthwith make a report to this effect to the Government and to the Finance Committee of the Knesset, specifying the causes which in his opinion have led to that situation and his proposals to the Government as to the steps to be taken in view thereof.

For the purposes of this section, money supply means the total amount of currency in circulation and current account deposits with banking corporations, excluding currency held by banking corporations and current account deposits of the Government and of banking corporations.

**Chapter Seven: Foreign Exchange Operations**

**36. Transactions in assets of international value**

The Bank may acquire, hold and transfer gold, foreign exchange and foreign government securities.

**37. Restrictions on foreign exchange transactions**

The Bank may effect foreign exchange transactions only with the Government, the Jewish Agency of Israel, the Keren Kayemet Le-Israel, the Keren Hayesod B.M., a banking corporation, a bank or financial institution outside Israel, an international financial institution or a foreign Government

**38. Power to borrow and guarantee**

- (a) The Bank may, with the approval of the Government, borrow from a foreign government, a banking or financial institution outside Israel or an international financial institution (all these hereinafter are referred to as foreign institutions) and to pledge assets held by the Bank as security for the repayment of the loan. The Government may, with the approval of the Finance Committee of the Knesset, guarantee on behalf of the State a loan as aforesaid.

- (b) The Bank may, with the approval of the Government, lend money to a foreign institution.
- (c) The Bank may, with the approval of the Government, guarantee a loan granted to the State or any person in Israel by a foreign institution if, in the opinion of the Governor, such loan is in the public interest.

**39. Commercial agreements**

The Government shall consult the Governor on any commercial-financial agreement with a foreign institution prior to the signing thereof.

**40. Control of foreign currency**

The Government may delegate to the Bank any of its powers under the Defence (Finance) Regulations, 1941,<sup>2</sup> or any law replacing them.

**41. Exchange rate of currency**

The Government shall consult the Governor prior to any decision relating to the exchange rate of the currency.

**Chapter Eight: Credit Operations of the Bank**

**42. Credit to banking institutions**

For the purpose of regulating the volume, cost and application of bank credit, the Bank may provide money to any banking corporation either by discounting bills, promissory notes or other negotiable instruments or by loans secured to its satisfaction.

**43. Conditions for granting credit**

The Governor may, after consultation with the Committee, prescribe rules as to the conditions which banking corporations shall be required to fulfil in order to obtain credit from the Bank, including the rate of interest, and the amounts of commission and other payments which banking corporations shall be authorized to charge their clients. Rules prescribed as aforesaid shall be brought to the notice of any banking corporation, upon its request.

**44. Emergency loans and advances**

The Governor, in circumstances which in his opinion are emergency circumstances, may direct that loans be granted even to a banking corporation unable to fulfil the conditions prescribed under section 43 if such corporation has given security to his satisfaction, and may further direct that so long as the loan has not been repaid in full the borrowing corporation shall not grant or extend any credit, or make any other investment, without the prior approval of the Bank.

**44A. Realization of a charge on securities submitted to secure credit**

- (a) Notwithstanding the provisions of Section 19(b) of the Pledges Law, 5727-1967<sup>2</sup> (in this Section – the Pledges Law), the Bank shall not realize a charge on securities, a charge of a right to securities or a charge of a securities account, including the securities therein as they shall be from time to time, submitted as collateral for the provision of credit to a banking



corporation under this Chapter, pursuant to Section 17(3) of the Pledges Law, until it has given notice of its intention to do so, two business days in advance, to the debtor and any person whose right might be affected by the realization.

- (b) Notwithstanding the provisions of Sub-Section (a), the Bank may realize a charge under the said Sub-Section without giving notice, where, in the opinion of the Governor or anyone authorized by him for such purpose, one of the following conditions exists, provided that the Bank gives notice of such realization shortly thereafter, to the debtor and to any person whose right might be affected by the realization:
- (1) a delay in the charge's realization might significantly affect the ability to pay the secured obligation through the charge's realization;
  - (2) other conditions exist, obliging the immediate realization of the charge, in whole or in part.
- (c) With regard to the duty to give notice pursuant to this Section, a transfer of the securities charged to the Bank to an account exclusively owned by the Bank shall not be deemed as realization.

#### **45. Loans to Government**

- (a) The Bank shall not make a loan to the Government to finance its expenditure.
- (b) Notwithstanding the provision of subsection (a), the Bank may make to the Government, at its request
- (1) a provisional advance to bridge temporary gaps in the Government's cash flow in the implementation of the budget (hereinafter: provisional advance), provided that the total of the provisional advance shall not exceed, at any time, 1.6 percent of the total ordinary annual budget at that time; however, during two periods of the Government's choice in the course of the fiscal year, neither of which shall last longer than 30 days, the total provisional advance may reach 3.2 percent of the total ordinary annual budget at that time;
  - (2) a loan by way of acquiring bonds issued by the Government to finance the excess of its expenditure in foreign currency over its revenue in foreign currency;
  - (3) a loan for the purpose of paying debts incurred by it to the Bank under law, other than debts under paragraph (1); the conditions of the loan and the times for its repayment shall be fixed by agreement between the Minister of Finance and the Governor.
- (c) Bonds which the Government shall sell to the Bank in accordance with subsection (b)(2) shall be of one of the negotiable categories sold to the public under the State Loan Law 5739–1979, as the Minister of Finance shall determine in consultation with the Governor, and the provisions of the said Law shall apply to them; however, the restriction on the balance of the loan in section 1 there shall not apply; the bonds shall be sold at market price as will be agreed by the Minister of Finance and the Governor.
- (d) The Minister of Finance may prescribe, in consultation with the Governor, additional provisions and conditions for the implementations of subsection (c).

**45A through 45C.** repealed

**46. Transactions in securities**

- (a) The Bank may purchase and sell on the market securities of the State and other securities which are obligations to make payment in Israel currency and which bear interest at a fixed rate.
- (b) The Bank shall exercise its power under this section whenever in the opinion of the Governor this is necessary in order to increase or reduce the money supply, within the meaning of section 35, or to carry out any of the functions enumerated in section 3.

**47. Issue of securities**

The Bank may, after consultation with the Committee and with the approval of the Government, issue securities of its own, prescribe the conditions therefor, and sell and purchase them.

**48. Deposits of the Bank**

The Bank may accept deposits from banking corporations.

**Chapter Nine: Regulation of the Liquidity of Banking Corporations**

**49. Liquid assets of banking corporations**

- (a) The Governor, after consultation with the Committee and with the approval of the Government, may direct banking corporations to hold liquid assets of a specific amount and composition - unless their liquid assets consist only of balances in the Bank - and may fix such amount either as a certain percentage of all the deposit liabilities of the banking corporation or as a certain percentage of all its assets, or both, or in any other manner, and may also fix different percentages for different classes of deposits or assets, to be defined in the directives on this matter.
- (b) Whenever a doubt arises as to whether a particular liability of a banking corporation is to be regarded as a deposit, the Governor shall decide.
- (c) Liquid assets—balances deposited with the Bank and such other assets as the Governor may determine, after consultation with the Committee, with the approval of the Government.

**50. Report on liquid assets**

- (a) A banking corporation shall, at the request of the Governor and at the time prescribed by him, submit to the Bank a report containing particulars of its liabilities and assets as required for calculating the amount of liquid assets to be held by it and particulars of the liquid assets actually held by it.
- (b) Where a banking corporation does not submit a report as referred to in sub-section (a) at the time prescribed by the Governor, it shall pay the Bank a fine of an amount or at a rate prescribed by order by the Governor in consultation with the Committee, provided that such fine shall not exceed 15,000 pounds in respect of every day of delay.

**51. Failure of banking corporation to hold liquid assets**

If a banking corporation does not hold liquid assets in accordance with section 49, it shall pay interest to the Bank at a rate to be prescribed by the Governor in consultation with the Committee, on the difference between the total amount of liquid assets which it is required to hold and the total amount of liquid assets held by it, in respect of any period in which such a difference exists;

moreover, the Governor may direct that during a period specified in that directive such banking corporation shall discontinue or limit, in a manner specified in the directive, the grant of credit or the making of investments and shall not distribute dividends to its shareholders.

**52. Interest on balances held with the Bank**

The Bank may pay interest to banking corporations on the whole or a part of their balances held with it.

**Chapter Ten: Regulation of Bank Credit**

**53. Ceilings for credit, investments and liabilities**

- (a) The Governor of the Bank of Israel may, after consultation with the Committee and with the approval of the Government, direct banking corporations to limit the total amount of their credit, investments and obligations; for the purposes of this section, "limitation" includes freezing and reduction.
- (b) In directives under subsection (a), the Governor may prescribe that a banking corporation which exceeds the limitations imposed on it shall pay to the Bank of Israel a fine at a rate which shall be prescribed.
- (c) In directives under subsection (a), the Governor may
  - (1) impose the limitations on all banking corporations or on particular classes thereof;
  - (2) prescribe different limitations for different kinds of credit, investments or obligations;
  - (3) prescribe the basis for calculating the limitation in accordance with the state of the credit, investments or obligations of each banking corporation on a particular day or during a particular period;
  - (4) fix the limitation at a stable or variable proportion of the said basis;
  - (5) prescribe the method of calculating the excess either generally or for particular classes of cases.

**54. Amount of assets in relation to capital**

The Governor may, after consultation with the Committee, prescribe by order the minimum amount of paid-up capital and of the balance of undistributed net profits which a banking corporation shall hold at a certain percentage of the total amount of its assets or of a particular class, specified in the order, of such assets.

**55. Provisions as to letters of credit**

The Governor may, after consultation with the Committee, direct banking corporations not to issue a letter of credit unless covered by a cash deposit at a rate prescribed in that directive, and he may prescribe different rates for different classes of transactions financed by letter of credit.

**56. Rate of interest**

- (a) The Governor may, after consultation with the Committee and with the approval of the Government, prescribe by order, generally or in respect of particular classes of deposits or credit transactions, the maximum rate of interest which a banking corporation may pay on

deposits and the maximum rate of interest, the periods of accumulation of interest and the rates of commission, discount and other payments which a banking corporation may charge in respect of bills discounted or of loans and other credit transactions.

- (b) An order under this section is subject to the approval of the Finance Committee of the Knesset.

**56A. Duty of reporting**

- (a) The Governor of the Bank of Israel may prescribe by order that banking corporations shall report to the Bank of Israel on their assets, liabilities and capital at such times and in such manner as he may prescribe.
- (b) The Governor of the Bank of Israel or a person empowered by him in that behalf may request a banking corporation to report to the Bank of Israel on transactions effected by it, and he may do so either generally or in respect of a particular class of transactions or a particular transaction and for such periods, at such times and in such manner as he may prescribe.

**Chapter Eleven: The Bank as Banker  
and Fiscal Agent of the Government**

**57. The Bank—agent of the Government**

- (a) The Bank shall be the sole banker and fiscal agent in Israel of the Government.
- (b) The Bank shall not receive from the Government a remuneration for its services under this section, save in cases determined by agreement with the Minister of Finance.
- (c) State loans shall be administered by the Bank, save as may be otherwise provided by law in respect of a particular loan.
- (d) The Government shall not accept loans or issue securities except after consultation with the Governor.

**57A. Operating an account in the Bank**

- (a) The Governor may permit a non-governmental entity or a non-banking corporation to hold and manage an account at the Bank of Israel, provided he is convinced its sole business is to receive and transfer money in quantities which are significant relative to the total amount of this financial activity in the economy.
- (b) The Governor may prescribe conditions governing the operation of such account, including collection of management or other fees.

**Chapter Twelve: Publication of Reports and Audit**

**58. Report**

The Bank shall draw up and publish in the Israel Official Gazette (Reshumot)

- (1) on Thursday of every week a report showing the total amount of currency in circulation as at the close of business on the preceding Wednesday and the assets which were held by the Bank as cover for the liabilities in respect of that currency;

- (2) at least once a month, a report showing the composition and value of its assets and liabilities as at the close of business on one of the days of the month in question; that day and the day of publication, and the particulars to be contained in the report, shall be determined by the Governor in consultation with the Committee.

**59. Annual Report**

Within five months from the expiration of every business year of the Bank, the Governor shall submit to the Government and the Finance Committee of the Knesset, a report which shall be published and which shall contain an annual balance sheet, a profit-and-loss account and a survey setting out the state of the Bank and the path its actions followed during the year in question, the measures adopted in following this path, an analysis of the economic and financial situation, the fluctuations of the money supply and the state of the international assets of the Bank.

**60. Business year of the Bank**

The business year of the Bank shall end on the 31st December.

**61. Reports to the Finance Committee of the Knesset**

The Governor may, at any time, submit reports to the Government and the Finance Committee of the Knesset and appear before that Committee in connection with any matter relating to the activities of the Bank, and he shall submit a report on matters as aforesaid whenever the Finance Committee of the Knesset so requires.

**62. Audit by State Comptroller**

- (a) The Bank is an inspected body, within its meaning in section 9(6) of the State Comptroller Law, 5718-1958 (Consolidated Version) (hereinafter: State Comptroller Law).
- (b) The provisions of the following sections of the State Comptroller Law shall not apply to the Comptroller's inspection of the Bank:
- (1) section 10(b), in respect of a proposal by the Government;
  - (2) in section 14(a), the passage from "if he deems it necessary" to the end of subsection (a);
  - (3) section 20(c), in respect of forwarding the report to the Minister of Economy and Planning and the Minister concerned;
  - (4) section 21, in respect of request by the Government.
- (c) The provisions of this section shall apply to the Bank and to its employees also in respect of their activity under any other enactment.

**Chapter Thirteen: Miscellaneous Provisions and Powers**

**63. Exemption from taxes**

In respect of the payment of taxes, fees and other compulsory charges, the Bank has the same status as the State.

**64. repealed**

**65. Secrecy**

- (a) A person shall not disclose information supplied or show a document submitted to him under this Law; provided that he may disclose information, if the Governor deems this necessary for the purposes of a criminal action.
- (b) In respect of the disclosure of documents and information to a court of law the Bank has the same status as the State.

**66. Restrictions after retirement**

The provisions of the Public Service (Restrictions After Retirement) Law, 5729-1969 (hereafter: Public Service Law) shall apply to persons who left the employment of the Bank, mutatis mutandis as the case may be, and also with the following changes:

- (1) Section (3) of the Public Service Law shall apply to the Governor, to the Deputy Governor, to an employee whom the Governor appointed as member of the management of the Bank, and to an employee who was graded in one of the top five grades of the Bank employees scale, immediately before his retirement;
- (2) a person who left the employment of the Bank shall not be a director of a banking corporation, shall not be an employee of a banking corporation and shall not be employed by a banking corporation if within the scope of his work in the Bank he received information from any other banking corporation which, were it in possession of the banking corporation in which he wishes to receive the said position, is liable to have a real adverse effect on the business of the other banking corporation (hereinafter: the information);
- (3) the provisions of paragraph (2) shall not apply if one year has elapsed from the day on which the information reached the person who retired from service of the Bank, or if he received permission under the Public Service Law to accept the said position.

**67. Evidence as to currency**

A certificate purporting to have been given by the Governor or a person authorized by him in that behalf in writing to the effect that the thing or things attached to it is or are currency or counterfeit currency shall be evidence of that fact so long as the contrary is not proved.

**68. Assets and liabilities of the Bank Leumi in the Issue Department**

All the assets held by the Bank Leumi Le-Israel B.M. in the Issue Department established under the Bank Notes Ordinance, 5708-1948, and every liability of the said bank in respect of the bank notes issued by virtue of that Ordinance, are hereby transferred to the Bank, and the Bank Leumi Le-Israel B.M. is hereby released from every liability transferred as aforesaid.

**69.** repealed

**70.** repealed

**71. Representation vis-à-vis the International Monetary Fund and the International Bank for Reconstruction and Development**

The Bank shall represent the State in any matter relating to the membership of the State in the International Monetary Fund and the International Bank for Reconstruction and Development.

**72. Bills of Exchange Ordinance**

For the purposes of the Bills of Exchange Ordinance, the Bank shall be deemed to be a banker within the meaning of that Ordinance.

**73. Offences**

- (a) A person who contravenes section 28 is liable to imprisonment for a term of two years or to a fine of 200,000 pounds or to both such penalties.
- (b) repealed
- (c) A person who contravenes any other provision of this Law or a provision made under section 43, 44, 49, 51, 53, 54 or 55 or any other directive made under this Law and published in Reshumot, or who knowingly makes an incorrect statement in a document submitted by him or an incorrect reply to a question asked of him for the purposes of this Law is liable to imprisonment for a term of one year or to a fine of 100,000 pounds or to both such penalties.

**74. Offence by body of persons**

Where an offence has been committed by a body of persons, every person who at the time of its commission was a member of management, manager or partner of such body shall likewise be guilty thereof, unless he proves one of the following:

- (1) that it was committed without his knowledge;
- (2) that he took all appropriate steps to ensure compliance with this Law.

**75. Holding of deposits in banking corporations**

The Bank may hold deposits in banking corporations until the expiration of three years from the day on which this Law comes into force.

**76. Power to sign**

The Governor may empower any employee of the Bank, in writing, either generally or in respect of a particular document or class of documents, to sign in his stead on behalf of the Bank.

**77. Repeal of laws**

The following are hereby repealed:

- (1) the Bank Notes Ordinance, 5708-1948;
- (2) the Currency Ordinance, 5708-1948, except sections 1 and 2 thereof;
- (3) the Coinage Ordinance, 5709-1948.

**78. Application of Ottoman Law**

The Ottoman Law of the 9th Rejeb, 1304 (9th April, 1877), and the Interest (Legal Rate) Ordinance<sup>3</sup> shall not apply to banking corporations.

**79. Commencement**

The Government may, with the approval of the Finance Committee of the Knesset, fix, by notice published in Reshumot, different dates of commencement for different sections of this Law, provided that all the sections of this Law shall come into force not later than one year from the day of its publication in Reshumot.

**80. Implementation**

The Government is charged with the implementation of this Law.

YITZCHAK BEN-ZVI  
President of the State

MOSHE SHARETT  
Prime Minister

**Transitional provisions**

(amendment no. 21 passed in the Knesset on January 29, 2007).

Notwithstanding the provisions of section 33A of this law, within a period of eighteen months from the commencement date of this law the Israel Government Coins and Medals Corporation (hereafter in this section “the Corporation”) shall be appointed for the purpose of the said section, and if the Corporation has been privatized in the said period of eighteen months, the privatized company shall be appointed for the purpose of the said section for a period of six years from the date it was privatized; for this purpose, “privatized” means that the Corporation changed from a government corporation into a corporation to which the Government Companies Law, 5735–1975,<sup>1</sup> does not apply.

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<sup>1</sup> Sefer Ha-Chukim of 5735, p. 132.



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\* Sefer Ha-Chukkim of 5714, p. 192 - LSI vol. VIII, p. 163; Sefer Ha-Chukkim of 5715, p. 242 - LSI vol. IX, p. 281; Sefer Ha-Chukkim of 5716, pp. 32 and 101 - LSI vol. X, pp. 30 and 106; Sefer Ha-Chukkim of 5717, p. 51 - LSI vol. XI, p. 48; Sefer Ha-Chukkim of 5728, p. 48 - LSI vol. XXII, p. 45; Sefer Ha-Chukkim of 5729, pp. 67 and 99 - LSI vol. XXIII, pp. 75 and 108; Sefer Ha-Chukkim of 5730, p. 125 - LSI vol. XXIV, p. 129; Sefer Ha-Chukkim of 5738, pp. 36 and 204 - LSI vol. 32, pp. 45 and 262; Sefer Ha-Chukkim of 5740, p. 129 - LSI vol. XXXIV, p. 146; Sefer Ha-Chukkim of 5741, p. 243 - LSI vol. XXXV, p. 293; Sefer Ha-Chukkim of 5745, pp. 54, 201 and 218; Sefer Ha-Chukkim of 5748, p. 239; Sefer Ha-Chukkim of 5755, pp. 147, 196 and 375; Sefer Ha-Chukkim of 5764, p. 524. Sefer Ha-Chukkim of 5767, p113. . Sefer Ha-Chukkim of 5768, p184.

<sup>1</sup> Pension benefits of Governor and deputy Governor are determined by the Holders of Public Office (Benefits) Law, 5729-1969, Sefer Ha-Chukkim of 5729, p. 98 - LSI vol. XXIII, p. 107.

<sup>2</sup> Sefer HaHukkim (Book of Laws) 5727, page 48.

<sup>3</sup> Now, Currency Control Law, 5738-1978, Sefer Ha-Chukkim of 5738, p. 108 - LSI vol. XXXII, p. 134.

<sup>4</sup> Repealed by Interest Law, 5717-1957, Sefer Ha-Chukkim of 5717, p. 58 - LSI vol. XI, p. 46.