

Press Release

April 30, 2020

DFS SUPERINTENDENT LINDA A. LACEWELL ANNOUNCES BANK HAPOALIM TO PAY \$220 MILLION PENALTY TO NEW YORK STATE

Bank Hapoalim Knowingly Facilitated U.S. Clients' Tax Evasion Bank Hapoalim Also Initially Failed to Cooperate Fully with DFS' Investigation, Causing Delay and Resulting in the Loss of Potentially Relevant Evidence

Superintendent of Financial Services Linda A. Lacewell announced today that Bank Hapoalim B.M. and Bank Hapoalim, New York Branches (“Bank Hapoalim” or the “Bank”), will pay a \$220 million penalty to the New York State Department of Financial Services (“DFS”) for having knowingly facilitated U.S. clients’ evasion of state and federal taxes through its conduct of an illegal cross-border banking business. In addition to this penalty, resolutions entered into with federal partners require the Bank to pay more than \$874.27 million to the U.S. Department of Justice, U.S. Department of the Treasury, and the Federal Reserve.

“The vast majority of New Yorkers follow the rules and pay their taxes, thereby contributing their fair share towards critical state and federal government operations and public services,” **said Superintendent Lacewell.** “There are some, however, who went to great lengths to avoid paying their share, and Bank Hapoalim offered a whole array of services to U.S. citizens, including New Yorkers, that knowingly facilitated their tax evasion. DFS will not tolerate such behavior from banks that operate in the State of New York. DFS thanks our federal partners at the U.S. Department of Justice, U.S. Department of the Treasury, and the Federal Reserve Board for their assistance and coordination during this investigation.”

“Today’s resolutions and payment of \$874 million make clear that tax evasion cannot be taken lightly,” **said Deputy Attorney General Jeffrey A. Rosen.** “A fair tax system requires even-handed compliance, and honest conduct by all participants in the system.”

“The Department of Justice continues to aggressively prosecute banks and other financial institutions that help U.S. taxpayers conceal their income and assets in offshore bank accounts,” **said Principal Deputy Assistant Attorney General Richard E. Zuckerman.** “Today, Bank Hapoalim is being held accountable for its conduct – it has admitted to its crimes and will surrender all fees it earned, repay the United States for lost tax revenue, and pay a substantial fine.”

“Israel’s largest bank, Bank Hapoalim, and its Swiss subsidiary have admitted not only failing to prevent but actively assisting U.S. customers to set up secret accounts, to shelter assets and income, and to evade taxes,” **said U.S. Attorney Geoffrey S. Berman of the Southern District of New York.** “The combined payment approaching \$1 billion reflects the magnitude of the tax evasion by the Bank’s U.S. customers, the size of the fees the Bank collected to provide this illegal service, and the gravity of the illegal conduct.”

From the early 2000s through at least 2014, Bank Hapoalim, based in Israel, opened and maintained undeclared accounts outside the United States for U.S. citizens, including New York residents, and offered various services that concealed customers’

assets and income from the U.S. Internal Revenue Service and other federal and state authorities.

To effectuate this scheme, Bank Hapoalim, independently or through its Swiss subsidiary:

- Opened and maintained “coded,” “numbered,” and “encrypted” accounts, for which the name of the account holder (including for U.S. citizens and permanent residents) would not appear on any correspondence or account statements; instead, a code or a pseudonym was used;
- Opened and maintained accounts in the names of trusts and suggested that U.S. citizens open trust accounts at entities that were wholly-owned subsidiaries of the Bank, its Swiss subsidiary, or other structures;
- Opened accounts for customers known to be U.S. citizens or permanent residents using non-U.S. forms of identification so that the citizenship of the account holder would not be apparent to compliance officials or regulators;
- Opened accounts in the name of offshore entities without indicating that the beneficial owner of the entity was a U.S. citizen or permanent resident;
- Provided a “hold mail” service, which provided for the holding of every statement of account, notice, or other document associated with the account at the branch where the foreign account was maintained instead of those documents being sent to the customer’s address; and
- Issued interest-bearing loans through its U.S. branches, including the New York Branches, that were secured with the assets in the overseas accounts, effectively giving U.S. citizens and permanent residents access to their assets held overseas.

The penalty amount in part reflects the Bank’s initial failure to meet expectations for cooperation by regulated entities in New York State with DFS investigations. During the initial phase of DFS’ investigation, the Bank, through its then-lead outside counsel, conducted an internal investigation, but it involved only a limited review of the Bank’s operations, and, as a result, some of the information the Bank provided to DFS later proved to be incomplete and therefore inaccurate.

The Bank and its prior lead outside counsel also failed to prevent the deletion of some e-mails, including e-mails that were not otherwise accessible to DFS through a disaster recovery back-up system. E-mails were deleted until mid-2018, more than three years into the investigation. The Bank later changed course, changed its lead outside counsel, and took steps to cooperate further with the investigation.

In addition to paying the \$220 million penalty, the Bank must take various steps to improve its policies and procedures to ensure that the misconduct that occurred will not be repeated, and to ensure that certain personnel are no longer employed by the Bank.

[Read a copy of the consent order detailing the Bank's misconduct and requiring it to pay the penalty and take other remedial steps on the DFS website.](#)

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