

**FRAUD AND EMBEZZLEMENT BY EMPLOYEES**

**Introduction**

1. With regard to fraud and embezzlement by employees of banking corporations, the banking corporations shall act in accordance with this regulation.

**Reporting**

2. (a) The management of a banking corporation shall report to the Supervisor of Banks any instance of fraud, embezzlement, or theft (henceforth, the incident) in which there is reason to suspect that one of the corporation's employees is involved and that the incident amount exceeds NIS 15,000. The report shall be submitted within a week of the conclusion of the investigation of the incident, and near to the submission of the findings of the investigation to the management of the banking corporation, but no later than two months after the date the incident is discovered.  
(b) The report shall include a full account of the incident, including its date, method, amount or equivalent involved, branch in which it occurred, and the position of the employee. In describing the method, the defects in internal control, if any, that enabled the incident to occur, should be made clear.  
(c) Reports made in accordance with this section shall be sent to the head of the Information and Reporting Unit of the Banking Supervision Department in Jerusalem.
3. (a) A substantial incident shall be reported immediately to the Supervisor of Banks by fax or messenger, and shall include the name of the employee.  
(b) The management of every banking corporation shall define what is a substantial incident for the purpose of this section, provided the following incidents are considered to be substantial:
  - (1) An incident in which the amount or equivalent could exceed 2% of the banking corporation's capital or NIS 10 million, whichever is lower;

- (2) The employee suspected in the incident has a senior position (e.g, head of department or higher);
  - (3) One of the suspects in a conspiracy between two or more employees is a person empowered to sign on behalf of the bank;
  - (4) The incident occurs in a sensitive area of activity (e.g., stock-market trading, trading-room activities);
  - (5) The incident has been reported to another authority (e.g. the Securities Authority).
4. The report to the Supervisor of Banks does not replace a report under [Regulation no. 301](#) (Board of directors and auditor), or a report to the police or to any other element, as required by law or the regulations of other supervisory bodies.

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