

**Report of the  
Knesset Inquiry Committee  
on the Location and Restitution of  
Assets (in Israel) of Victims of  
the Holocaust**

**Jerusalem, Tevet 5765 – December 2004**

Parliamentary Committee of Inquiry  
On the Location and Restitution of Assets of Holocaust Victims in Israel

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## FOREWORD

The Report of the Parliamentary Committee of Inquiry on the Location and Restitution of Assets of Holocaust Victims in Israel, is being presented today to the Knesset, at the end four years of arduous, complex but fascinating work.

This is a unique Report, since for the first time banks in Israel opened up for an external examination, and a thorough search took place in records centers and archives, in both Israel and abroad. The Report includes documents that impart on it an historical dimension.

The Committee of Inquiry, which I have chaired, was set up on February 15, 2000, following the publication of articles and studies concerning a good deal of property in Israel belonging to Holocaust victims - property that to the present has not been returned to its legal owners. Many citizens approached the banks and Government institutions, and sought to find accounts or real estate, but were on numerous occasions turned away empty handed. I felt at the time that the State of Israel should act in the same manner demanded of other states, in other words, that it must return the property that is owing its owners.

When, towards the end of the 1990s, the first news and studies were published on the possible scope of property belonging to victims that is liable to be found in Israel, regrettably, the Government of Israel and other public bodies, did nothing to investigate the truth: to evaluate the scope of the property, to seek its owners, or to examine means of returning it to them. The Committee that I head took upon itself the task, which in most states in the world is assigned to the Government or other state bodies.

By their very nature, the report's findings unearth an historical truth, which is very different to that which emerged in other states. In European states such as Switzerland, for example, the money of Holocaust victims remained in dormant accounts for a period of fifty years and more, while the bank accounts in the country (Mandatory Palestine, and later the State of Israel) took a different course, in which state factors, both British and Israeli, were involved. The main findings demonstrate that an overwhelming majority of the accounts of Holocaust victims were transferred to the Administrator-General in the Ministry of Justice until the mid-1960s, and have been in his hands ever since. Thus, the responsibility for these funds is divided between the banks and the Administrator-General, whose responsibility – in other words, the State's responsibility – is heavier.

The decisive finding is that the funds remaining in the possession of the Administrator, were handed over to him undervalued, that he did nothing to reappraise them, and that consequently many accounts were eroded and erased.

Parallel with the investigative and examination work itself, the Committee attained several additional achievements: it acted to attain an agreement between the Jewish National Fund and the Administrator-General, under which most of the assets of Holocaust victims were handed over to the Administrator. It brought about the establishment of a unit in the Ministry of Justice that is actively engaged in the location of heirs. It initiated legislative amendments

regarding the duties and powers of the Administrator, including greater flexibility in the criteria for returning property to its legal owners or heirs. The Committee spurred the Ministry of Justice to elaborate a comprehensive bill that will enable the implementation of the Report's conclusions. Thus, parallel with the publication of this Report, a Government bill has been tabled in the Knesset for first reading.

Many factors contributed to the publication of this Report, first among them are the Members of the Committee itself: MK Rabbi Michael Melchior, MK Ehud Rassabi, MK Avraham Ravitz, MK Ze'ev Nissim, MK Gil'ad Arden, MK Marina Solodkin, MK Nissan Slomiansky, MK Yuri Stern, former Ministers of Justice Yosef Beilin and Yosef (Tomy) Lapid. Our thanks to all of them.

Special thanks are due to members of our Advisory Committee: the Committee's Chairman Attorney Zvi Barak; Ms. Smadar Elhanani, Economic Advisor of the Knesset Finance Committee; Dr. Nahum Gross, Professor of Economic History at the Hebrew University; Mr. Freddy Wieder, Director General of the Association of Banks in Israel; Dr. Israel Singer, Chairman of the World Jewish Congress, and member of the Volker Committee; and Attorney Michael Kleiner, a former Knesset Member.

Special thanks to the five auditors' offices that carried out the examination in the banks: Barlev & Co.; Hertzfeld Blattberg & Co.; Zohar, Zohar & Co.; Caspi & Caspi; Sharoni-Shefler & Co.; to the law offices: Harish & Co. Attorneys; D. Mirkin, Afrima, Barak, Milstein & Co Attorneys and Notaries; Rami Goldstein Law Office; to the teams in the banks; to Ms. Rama Zuta who edited the Report; and to Dr. Susan Hattis Rolef, who translated the Report into English.

Thanks to the Knesset Administration, and at its head, the Secretary General of the Knesset, Attorney Arie Hahn, the Deputy Secretary General, Mr. David Lev, and the members of the Knesset Tenders Committee; to the Legal Advisor to the Knesset, Attorney Anna Schneider, and to Attorney Merav Israeli from the Knesset's Legal Bureau; to the former Director of the Committee Ms. Betty Shamir, and to its current Director, Ms. Sigalit Edri – for their great contribution to the Committee's work.

Above all, my gratitude goes to Prof. Yossi Katz, whose research constituted the basis for inspiring the establishment of the Committee.

To all these we offer many thanks.

MK Colette Avital  
Chairperson of the Committee

## TABLE OF CONTENT

	<b>Page</b>
<b>Executive Summary of Findings and Recommendations</b> .....	7
<b>Part One: Introductions</b> .....	11
1. The Parliamentary Committee of Inquiry.....	11
2. The Background.....	12
3. The Work of the Committee.....	17
4. Instructions for the Examiners.....	20
5. Historical Background.....	24
<b>Part Two: The Main Findings</b> .....	31
1. The Main Findings of the Examination at Bank Le`umi Leyisrael Ltd.....	38
2. The Main Findings of the Examination at Bank Hapo`alim Ltd.....	42
3. The Main Findings of the Examination at Bank Hamizrahi Hame`uhad Ltd	44
4. The Main Findings of the Examination at the Mercantile Discount Bank Ltd	47
5. The Main Findings of the Examination at the Israel Discount Bank Ltd.....	50
<b>Part Three: Recommendations of the Advisory Committee</b> .....	54
1. Recommendations of the Majority	54
2. Recommendations of Ms. Smadar Elhanani and of Mr. Freddy Wieder	55
<b>Appendices (In Hebrew)</b>	



## Executive Summary of Findings and Recommendations

### Findings

- A.** Since the beginning of the 20<sup>th</sup> Century, and especially during the period of the British Mandate, financial deposits were made in banks in Palestine by Jews, who Later became victims of the Holocaust. The reasons for the deposits in the banks in Palestine were of a Zionist nature, getting capital out of Europe, and ensuring the ability to migrate to Palestine by means of capitalist certificates. In the early 1940s these deposits constituted between 30 to 50 percent of the banks' capital.
- B.** The Committee of Inquiry examined, by means of five auditors' offices chosen by the Knesset through a tender, and accompanied by an Advisory Committee headed by attorney Zvi Barak - five banks in the country, in which deposits had been made: Bank Le`umi Leyisrael (established in 1903), Bank Hapo'alim (established in 1921), Bank Hamizrahi Hame`uhad (established in 1923), Mercantile Discount Bank (in the past Barclays-Discount, established in 1918), Discount Bank Ltd. (established in 1935).
- C.** For the purpose of examining the data, an Advisory Committee was set up, as stated, and five auditors' offices were appointed, each of which examined one of the said banks. The examination was designed to locate accounts and assets of Holocaust victims in the banks. The examination work was accompanied by law offices, that were appointed by the Knesset.
- D.** The Committee found that in accordance with a decree issued by the British Custodian of Enemy Property upon the outbreak of World War II, the banks handed over most of the deposits that were defined in the decree as 'enemy assets' to the British Custodian, and upon the establishment of the State, he handed them over to the Government of Israel, by means of the Israeli Custodian of Enemy Property and the Administrator-General.
- E.** At the same time the examination found, in documents and various findings, that even after World War II, funds and accounts belonging to Holocaust victims or their heirs remained in the banks.
- F.** The deposits were handed over to the State not at their real value at the time of the handing over.
- G.** Deposits that were returned to their owners in accordance with the law, whether by the State or by the banks, were not returned at their full real value.
- H.** After the foundation of the State the banks did not act vigorously to return the funds to their owners, and even when Holocaust survivors, and/or heirs of the victims approached them, the banks did not act with determination to locate the accounts.

- I.** Holocaust survivors, or heirs of the victims, who turned to the banks to receive money and received a positive response, received their money at an unreal value.
- J.** In the banks that were examined the Committee found three types of deposits that can be attributed to Holocaust victims:
1. Deposits that were handed over to the State of Israel that were undervalued at the date of the handing over;
  2. Financial deposits that remained in the banks on the date of the examination (in the course of the years 2002-03), as specified in the Report with regards to each individual bank;
  3. Securities, including bank shares held by Holocaust victims.
- K.** The Administrator-General first published the list of property owners (of all sorts) in 1998. In this list there was no special category for property owners who with a high level of probability are Holocaust victims. Furthermore, the list was not widely distributed.
- L.** Bank Le`umi acted similarly. It was only in January 200 that it first placed the list of owners of unclaimed accounts on its website. There was no special category for accounts that may be attributed with a high level of probability to Holocaust victims. The other banks did not take any action to make public the list of accounts and their owners.
- M.** From what has been said above, there emerges the State's liability (in particular), and that of the banks (excluding the Mercantile Discount Bank), to return to the heirs of Holocaust victims the sums of the deposits at their real value, as elaborated in the Report.
- N.** The Committee of Inquiry laid down two methods for reappraising the said funds: a maximum reappraisal and a minimum reappraisal. The first method is based on the linkage of the deposit to the index from the date of the outbreak of the War (1939) + 4% interest per annum, until September 2004. The second method is based on the linkage of the deposit from 1948 + 3% interest per annum until September 2004.
- The first reappraisal method will be used in cases in which the entitlement of the Holocaust victims and/or their heirs will be proven, and the second – regarding all deposits whose owners or heirs will not be found. The intention here is to grant a certain value to funds to be transferred to the body that will be in charge of distributing the balance of the funds whose legal owners will not be found, for the benefit of Holocaust survivors, and its commemoration, in accordance with the law on this subject that was recently drafted in the Ministry of Justice.
- O.** According to the findings of the Committee and its calculations, the liability of the State on the basis of the minimum method of reappraisal amounts to



NIS 101,203,229, and the liability of the banks to NIS 37,251,735, as elaborated below:

- Bank Le`umi Ltd. – NIS 35,365,969;
- Bank Hapo`alim Ltd. – NIS 81,901;
- Bank Hamizrahi Hame`uhad Ltd. – NIS 1,774,688;
- Bank Mercantile Discount Ltd. – there is no bank liability;
- Israel Discount Bank Ltd. – NIS 29,177.

- P.** In accordance with the findings of the Committee and its calculations, the State's liability according to the maximum method of reappraisal amounts to NIS 586,980,926, and the liability of the banks to NIS 322,731,901. The Committee considered it appropriate to publish the comprehensive table of data, which includes the sums that would be paid if the higher method of reappraisal were used, as decided by the Committee on the assumption that all the heirs will be found. Nevertheless, it may be assumed with a high level of probability that only a partial percentage of the heirs will be found. Therefore, these data are theoretical only, and are not an object of a claim against the Government or the banks. They are published for the sake of information only.
- Q.** For professional reasons the Advisory Committee recommended that the shares of the banks should not be reappraised, especially in Bank Hapo`alim. Therefore the sums relating to these shares are not included in the Report.

### **Comments Regarding the Concluding Report of the Advisory Committee**

The findings of the Advisory Committee, headed by Attorney Zvi Barak, were approved by the members of the Committee of Inquiry, except for two changes:

1. The Committee of Inquiry did not accept the evaluation of the Advisory Committee regarding the level of cooperation by the banks with the examiners. Therefore, this comment was deleted from pp.31-32 of the Report.
2. The members of the Committee considered it appropriate to publish the table that includes the data according to the maximum reappraisal as well, for reasons mentioned in article P. Therefore this table is included on p. 35 of the Report.

## Recommendations

- A. The Knesset should approve this Report.
- B. The Knesset should act as soon as possible to advance legislation connected with the implementation of this Report, including those being initiated by the Ministry of Justice, and Knesset Member Colette Avital. These laws will enable the return of the funds found to their owners. The sums, whose owners will not be found, shall be used for the benefit of Holocaust survivors and initiatives for their commemoration.  
As to the Government bill, the Committee believes that the method of reappraisal proposed in it should be changed, and that the method of reappraisal proposed by the Committee should be adopted. Therefore, the Committee shall act to amend the relevant article in the bill at the stage of its preparation for second and third reading.
- C. The Committee will refer to the Knesset Speaker for safekeeping, the full information gathered during the examination in the Banks and with the Administrator-General, on the basis of whose data the Concluding Report of the Advisory Committee and the Report of the Parliamentary Committee of Inquiry were written.
- D. The Knesset will publish, after the approval of the Report by the Knesset in the media, including the Internet and other means of communication, all the names of the accountholders.
- E. To advise the Knesset to impart on a public body – a quasi judicial framework – that is to be set up, the implementation of the recommendations. Such a body will enable rapid deliberation in any case on its merits, and will prevent cumbersome procedures.  
Alternatively, the process of amending the Administrator-General Law of 1978, and approving the Administrator-General Bill (Release of assets of those who perished in the Holocaust, 2004), or any other means that will enable the body to constitute a suitable framework for implementing the recommendations, should be advanced.
- F. The State of Israel and the Banks should act with the utmost fairness and sensitivity towards the heirs, within the shortest time possible.
- G. The Committee recommends that the banks, and especially Bank Hapo'alim, should take the initiative of updating and reappraising the value of the banks' shares.

## PART ONE: INTRODUCTION

### 1. The Parliamentary Committee of Inquiry

Following a motion for the agenda by MK Colette Avital, the plenum of the 15<sup>th</sup> Knesset decided unanimously, on February 15, 2000, in accordance with article 22 of Basic Law: the Knesset, to set up a parliamentary committee of inquire on the subject “The Location and Restitution of Assets in Israel Belonging to Persons Who Perished<sup>1</sup> in the Holocaust”. MK Colette Avital (One Israel) was elected to chair the Committee, and MK Avraham Hirschson (Likud); MK Joseph (Tomy) Lapid (Shinui); MK Avraham Ravitz (*Yahadut Hatorah*); MK Yuri Stern (Yisrael Beitenu); MK Michael Kleiner (Herut); MK Yo’el (Yuli) Edelstein (Yisrael Be’aliya); MK Nahum Langental (NRP); and MK Nissim Ze’ev (Shas), were appointed as members. Against the background of the change in Governments, following the direct election of the Prime Minister held on February 6, 2001, and resolutions of the Knesset plenum, the make-up of the Committee changed, and those serving on it were MK Colette Avital (Labor) - Chairperson; MK Joseph (Tomy) Lapid (Shinui); MK Michael Kleiner (*Herut-Hatnu’a Hale`umit*); MK Nissim Ze’ev (Shas); MK Avraham Hirschson (Likud); MK Yigal Bibi (NRP); MK Michael Nudelman (*Ha`ikhud Hale`umi-Yisrael Beitenu*); and MK Marina Solodkin (*Yisrael Be’aliya*). On March 25, 2003 the plenum of the 16<sup>th</sup> Knesset decided to reestablish the Parliamentary Committee of Inquiry on the subject, and its make-up was fixed as follows: MK Colette Avital (Labor-Meimad) - Chairperson; MK Gil’ad Arden (Likud); MK Nissim Ze’ev (Shas); MK Rabbi Michael Melchior (Labor-Meimad); MK Marina Solodkin (Likud); MK Nissan Solomiansky (NRP); MK Avraham Ravitz (*Yahadut Hatorah*), MK Ehud Ratzhabi (Shinui); MK Yuri Stern (National Union).

**The terms of reference** of the Parliamentary Committee laid down that it should deal with the following issues:

1. To examine all the aspects connected with the dormant bank accounts of Holocaust victims held in Israeli banks, and in the form of assets, in particular lands, held by various institutions in the country;
2. To hear witnesses orally, and to collect studies, expert opinions, and any written material required to formulate its recommendations on the following issues:
  - Ways of extending the search and uncovering of assets in Israel belonging to Holocaust victims.
  - Laying down principles to realize the said assets, and the distribution of the return for purposes of assisting Holocaust survivors, to deepen awareness of the Holocaust, and commemorate it.

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<sup>1</sup> A more accurate term is “Holocaust victims”, which is the intention in this report

## 2. The Background<sup>2</sup>

Since the end of World War I, and even prior to it, Jews from Central and Eastern Europe, from Western Europe and America, purchased in Eretz Yisrael land, apartments and houses, shares and securities, and deposited money in local banks. The motives for these investments were varied, partly Zionist-ideological, and partly economic. These motives were connected to the situation of the Jews throughout the dispersions: the rise in anti-Semitism, the rise in the economic uncertainty and the worsening in the restrictions of migration to Western Europe and America, as well as the aspiration to assist the economy of the 'National Home' in Eretz Yisrael, while ensuring for the individual an economic haven for a rainy day. The emissaries of the national institutions - the Jewish National Fund, the Jewish Agency and the Jewish Foundation Fund - operated in various countries in Europe, and encouraged the Jews to purchase shares, securities, plots and land in Eretz Yisrael. The waves of immigration to the countries in the 1920s and 1930s were accompanied by the importation of considerable capital, and the purchase of land, houses and orange groves by the immigrants, and by those who were planning to immigrate, or expected to obtain economic profits from their investments. The banking activity in Eretz Yisrael that developed vigorously in the 1930s, supplied appropriate services for the importation of capital. These states included Austria, Belgium, Bulgaria, Czechoslovakia, Denmark, Estonia, Germany, Hungary, Italy, Latvia, Lithuania, the Netherlands, Poland, Romania, Russia etc.

Upon the outbreak of World War II, the British Government in Palestine applied the **Trading with the Enemy Ordinance, 1939** (hereinafter, 'the Ordinance'), that entered into force on September 5, 1939. Within this framework a body was set up that was authorized to enforce the implementation of the Ordinance - 'The Custodian of Enemy Property' (hereinafter, 'the British Custodian', who is an 'Administrator of Enemy Property' in the language of the Ordinance). The Ordinance made it obligatory to hand over to the ownership of the Custodian all the property in Palestine belonging to residents of enemy states, and states conquered by the enemy, in other words, land or chattels, and any benefits or other right including money, securities and shares. The appointment of the Custodian was designed to hold the assets of enemy citizens, and he was assigned powers to perform acts to manage companies of enemy citizens. An 'enemy' was defined as a person who is not a British subject, or a citizen of Palestine and is the citizen of a state that is in a state of war with Great Britain, and this in accordance with a certificate from the Secretary of the United Kingdom, noting the status of that state for this matter. The states included in the definition of 'enemy' under the Ordinance included Bulgaria, Germany (including the states annexed to it), Italy, Lithuania, the Netherlands, Poland and Russia. The duty to hand over to the Custodian all enemy assets applied also to Palestinian companies, in which enemies were partners, or that had issued securities to enemies. The consequence was that even a Jew, who was a German citizen, who had opened an account in a bank in Eretz Yisrael, was considered an 'enemy' according to the Ordinance. Thus, the banks handed over the 'enemy' deposits to the credit of the account of the Custodian of Enemy Property's, and noted the fact in his account. The

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<sup>2</sup> This article is based on the book Y. Katz, *Rechus Shenishkah: Legoral Rechusham Shel Korbanot Hasho'ah Hamatzui Beyisrael* (Forgotten Property: the Fate of the Property of Those Who Perished in the Holocaust in Israel), Jerusalem, Yad Vashem, 2000.

arrangement with the Custodian was amended several times over the years, and his powers were extended.

The banks were required to report to the British Custodian every quarter, and whenever a decree was issued, regarding the property held by them that belongs to residents of enemy states. In the circulars of the bank managements to their branches, they were required to hand over to the management the list of balances in the accounts being run with them, and belonging to the residents of enemy states. The management collected the reports, and handed them over on a current basis to the British custodian. The branches sorted the reported lists according to the type of balances: in current accounts; notes for collection; deposit of securities; other. Usually the reports were also sorted out by country. The Custodian informed all the banks that they were not to release the accounts under his control without his approval; they must report to him any change in the balance of the account, or about new balances. The Mandatory authorities implemented the law strictly, and the British Custodian required the banks to hand over to him also funds belonging to accounts that were not reported to him, but that were, in his opinion, accounts of residents from enemy states.

The British Custodian operated in several ways: (a) The confiscation of funds in the accounts and their transfer into his account. He opened a files for the property owners, and marked them with the letter **C** (Currency), and included in it all the correspondence and decisions connected with the account, beginning with the documents relating to the transfer of the money from the bank, and ending with the documents for its release to the bank, and receipts for commissions he had collected. The funds that were transferred to him were kept by the Custodian especially in two main accounts that he managed: one in the Anglo-Palestine Bank (APB) and the other in Barclays Bank Ltd. These funds did not accrue interest or linkage. Every customer of the bank whose money was confiscated or frozen, who left the area under German control, was entitled to request the release of the money; the bank would approach the Custodian with a request for release, and would attach a declaration, signed by the owner of the assets, that he had left the area controlled by Germany, and proof to this effect (such as the signature of a British Consul in the state he had entered). If the Custodian was convinced that the accountholder is indeed not defined as an 'enemy', he returned to the bank the nominal sum of the funds, after deducting a 3% Committee for his treatment. (b) The freezing of funds: funds belonging to the residents of enemy states, whose balance was reported to the Custodian but were not handed over to him. These accounts were marked as 'frozen accounts': it was forbidden to perform in them any act without the approval of the Custodian, and the bank was required to report their balances to the Custodian in every quarter. The process of releasing these accounts was similar to the process of the confiscated accounts. (c) Securities: contrary to the current accounts and checks for collection, the British Custodian left the deposit of securities of an resident of an enemy state in the banks, but demanded that all the funds emanating from them be handed over to him. And indeed, periodically funds emanating from interest on bonds, proceeds from bonds and dividends were handed over to him. The process of releasing the securities at the request of the accountholder was similar to the process described above.

Subsequently it became apparent that many of the Diaspora Jews who had invested in the country, for economic or Zionist reasons, had perished in the Holocaust. Some of the survivors or relatives of those who perished immigrated to the country after World War II.

Much unclaimed Jewish property remained in the hands of the British Custodian. But not all the said property was handed over to the Custodian, or to the management of the Mandatory Administrator-General (who started to operate in 1944): part of the financial and other property remained in the banks, part remained in the hands of the companies that sold land. The Jewish National Fund acted in order to transfer to its possession, and the possession of its subsidiary '*Himanuta*', lands belonging to absentees. Despite the efforts of the Jewish Agency to get the Jews in the Nazi conquered countries out of the category of 'enemy', the British Administration in the country did not respond.

Upon the foundation of the State of Israel, the 'Trade With the Enemy Ordinance 1939' with its amendments, was included in the State's law book. The Minister of Finance appointed in his Ministry a 'Custodian of Enemy Property', who inherited the job of the British Custodian (in 1968 all the property of the Israeli Custodian was handed over to the Administrator-General in the Ministry of Justice, of which more will be said below). The Israeli Custodian soon found out that shortly before the termination of the British Mandate, the British Custodian of Enemy Property had transferred to London a large portion of the funds and securities that had been in his account in Palestine. Many of the British Custodian's files, as well as the keys to the safe deposit boxes in the various banks had been taken out from the country as well. By transferring the funds of the British Custodian in Palestine to Great Britain, the British Government sought to secure the restitution funds coming to it as a result of the war (in accordance with the Paris Agreement of 1946). The British Government acted in the same manner on the issue of the lands in the Sharona settlement<sup>3</sup> lands - they were designated to the British Custodian of enemy Property, were sold to the Jewish National Fund, and the return was transferred to Great Britain. The British transferred to London P£ 2.9 million of the Custodian's funds in the country (including P£ 1.3 million on account of the same of Sharon).<sup>4</sup> The banks in the country, in whose possession a small part of the funds credited to the Israeli Custodian, refused to hand them over to him until the clarification of his legal status, and until the consent of the British Government.

The matter of the return of these funds to the country was one of the issues in prolonged negotiations, that were carried out between the Israeli Government and the British Government, concerning the mutual financial claims, that was concluded only in March 1950. Even before the said agreement was signed, Britain began, in 1949, to use the Custodian's funds that it had withdrawn from the country, in order to pay back the citizens of Belgium, Czechoslovakia, Denmark, France, Greece, Luxembourg, the Netherlands, and Norway, whose accounts had been frozen in the country in favor of the British Custodian. The funds were not returned to individuals, but to banks in these countries, together with a list of eligible from the past. The Israeli Government was overtly displeased with these activities on the principle that the transfer of control over these funds to the British, would leave in their hands large sums belonging to depositors who have no heir.

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<sup>3</sup> A former settlement, established by the German Templers

<sup>4</sup> Y. Katz's figures (Ibid.) are based on the file of the negotiations with Britain, financial claims of the Custodian of Enemy Property against the British Government, memorandum by the Custodian of Enemy Property of 14 June, 1949.

In the course of the discussions with the British many in Israel doubted the possibility that Britain would return the said funds, and therefore the mere attainment of ‘a settlement of pending financial matters resulting from the termination of the Mandate for Palestine’, that was signed on March 30, 1950, was considered an accomplishment. Article 5 of the agreement stipulates<sup>5</sup>:

Subject to the provisions of article 9 below, H.M.G. shall credit the Israeli Government with the sum of £1,052,000, in respect of funds belonging to residents or citizens of the former allied states, and other states, except for Germany, that were held by the Custodian of Enemy Property of the Mandatory Government [...] The Israeli Government shall accept responsibility for the settlement of all the claims in respect of these funds. Should any of these claims be placed against H.M.G. under circumstances that justify, in its considered opinion, after consultations with the Israeli Government, the removal of the claim by H.M.H., the Israeli Government shall return, by request, to H.M.G., as stipulated in paragraph 9(a) below, the funds credited to it in consequence of such a claim [...] The Israeli Government shall deal with the property subject to the supervision of the said Custodian, and which belongs to residents of the following states, being: Belgium, Czechoslovakia, Denmark, France, Greece, Luxembourg, the Netherlands, and Norway, that are the countries with which the H.M.G. has signed property agreements regarding Palestine before the termination of the Mandate, in accordance with the stipulations of these agreements, as applied to Palestine.

In this settlement the Israeli Government waved the claim to receive the full sum that the British had removed from the country (P£ 2.9 million), and agreed to receive only P£1.4 million; while the British waved P£ 1.8 million credited to them as the second payment on account of the sale of Sharona to the Jewish National Fund. In the agreement the Israeli Government undertook, as stated, responsibility for dealing with all the claims presented to the British Custodian, to take care of the property under the supervision of the Administrator-General, and the funds of the citizens of the countries mentioned in the agreement. The British Government undertook to return all the archival material belonging to the British Custodian, and the securities and content of the safe deposit boxes. In 1950 Britain returned to Israel the funds of the Custodian as stipulated in the Treaty. At the time the Israeli Custodian of Enemy Property had in his hands around IL 1.7 million, but half a million of this sum was money belonging to Germans, that had apparently been handed over to the Administrator-General of German assets.<sup>6</sup>

The Israeli Custodian managed the property imparted on him in a similar manner to that of the British Custodian: ‘enemy’ funds and securities in the banks were transferred to his account. However, there were also accounts that were not transferred to him, but frozen in the banks under the supervision of the Custodian (as in the past). He used to return the money

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<sup>5</sup> In view of the fact that we were unable to find the original English text of the agreement, this is a translation of the Hebrew text.

<sup>6</sup> These figures were given by the Accountant General in the Ministry of Finance, during his appearance before the Parliamentary Committee of Inquiry, chaired by MK Colette Avital on June 26, 2001.

to those entitled (survivors or heirs), whose entitlement was proven legally, who had approached him with a claim for the return of the property and deposits - including the interest, less an administration commission of 3%-4% on any sum above IL 300 to which the Custodian was entitled by force of the Ordinance. Money was returned only to Jews who had immigrated to Israel (later - also to those who had migrated to the West). The value of the sums returned were not reappraised.

According to the report of the Accountant General<sup>7</sup> the surplus in favor of the Custodian of Enemy Property was, on the basis of the balance sheet of 1960, IL 727,000, from which he concluded that in the decade 1950-1960 close to half a million IL were redeemed; whereas in 1968, when responsibility was transferred from the Ministry of Finance to the Administrator-General in the Ministry of Justice, the sum of the surplus was IL 692,000 - in other words, in the course of eight years IL 35,000 only were paid out to those entitled. According to a sample examination carried out by the Accountant General, most of the claims in the 1950s were paid at real value. The Accountant General ran his account in the Bank of Israel as a general sum of State deposits, and the Bank and Israel and the Ministry of Finance settled accounts between them regarding the sums of the interest, in accordance with the rate customary at that time. Nevertheless, the sums of the interest received on behalf of all these deposits, were not credited to specific accountholders. Until 1961, when the Interest Allocation Law was passed, the interest was fixed only in contracts between two sides, and the authorities were not obliged to pay it. The linkage was also not obligatory by law until the mid-1970s, and the term 'linkage' was added to the Interest Law only in the year 1979. It should be emphasized that the wording of the Ordinance ('trade with the enemy') enabled the Minister of Finance to use the gains from the invested principal. Only after the issue emerged, the establishment of the current Committee, and the approach of the Administrator-General, did the Accountant General start to examine the movement of funds in the specific accounts.

In 1968 the deposit funds (the principal) that the Israeli Custodian of Enemy Property had received from the British Custodian, were transferred, as stated, to the Administrator-General in the Ministry of Justice. This sum amounted, as stated, to IL 692,000 (in their value at the time), which according to the reappraisal rules of the Accountant General in the Ministry of Finance was valued in 2000 at NIS 25 million.<sup>8</sup> The Administrator-General manages by law all property in Israel the whereabouts of whose owners are unknown. He does not have a separate list of files of property owners or of property belonging to those who perished in the Holocaust. The number of files that the Administrator-General received from the Israeli Custodian of Enemy Property in the Ministry of Finance in the year 1968 amounted to 15,000, most of them closed files (involving funds that were released); the remaining number of property - real-estate and money - files is around 670. The Administrator-General invests the money managed by him in the capital market in accordance with the decisions of an investment committee (whose members are the Administrator-General, representatives of the Ministry of Finance, and the Bank of Israel), that was established and operates by law. The

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<sup>7</sup> In the said meeting, Ibid.

<sup>8</sup> The Administrator-General submitted to the Inquiry Committee a survey in March 2000. He appeared before the committee on June 26, 2001, and submitted additional figures on February 21, 2002. The following information is based on his reports.



gains borne by the principal are attributed to the principal; since the new Administrator-General Law was passed in 1978, all the property whose source was the Israeli Custodian is managed as abandoned property, as defined in the law. Whoever withdrew his deposit from the Administrator-General since then, received for it interest and linkage in accordance with the rate of return on the investments of the Administrator-General. Over the years the banks in Israel handed over to the Administrator-General lists of dormant accounts at their disposal. The Administrator-General did not have information on the total sum of the accounts of Holocaust victims.

Following the request of the Committee, the Administrator-General received a team of employees, and started scanning all the property files administered by him, in order to locate the files, that with a high level of probability belong to Holocaust victims; 12% of the files scanned by the summer of 2000 belonged to this criterion. By law, the Administrator-General is under no obligation to locate the property owners. Under the initiative of MK Avital, the Ministry of Justice is currently drafting "The Administrator-General Bill", that expands the powers of the Administrator to actively initiate the location of the heirs of those who perished in the Holocaust. In addition, a special unit has been established in this office for this purpose (See amendment to the Administrator-General Law below).

### **3. The Work of the Committee**

The work of the Committee was divided into two spheres: an examination of the accounts in the banks, and the examination of real-estate. This report deals with the examination in the banks.

The Inquiry Committee deliberated the issue of the examination in the banks in the course of 36 meetings that were held from July 2000 until November 2004.<sup>9</sup> Upon the demand of the Inquiry Committee, and after extensive negotiations, five banks, in which it was assumed that most of the dormant accounts of the victims were to be found, agreed to enable an external examination by auditors on behalf of the Committee, of the issues on which the Committee seeks information; the whole examination was financed by the banks. On April 19, 2001, a document of principles was signed between Bank Hapo'alim Ltd., the Israel Discount Bank Ltd., Bank Le'umi Leyisrael Ltd., Bank Mercantile-Discount Ltd., and Bank Hamizrahi Hame'uhad Ltd (hereinafter: the banks) and the Knesset. This is a document of principles, which is unprecedented in the history of banking in Israel, which enabled the holding of an external and independent examination in the banks, relating to the accounts of Holocaust victims. The document laid down the conditions for the examination, including the powers of the Advisory Committee (that will follow the aspects connected with the financial assets of Holocaust victims) and its make-up, the topics to be examined, the criteria for choosing the examining offices, the financing of the examination's expenses, and the duration of the examination.

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<sup>9</sup> The minutes of the Committees deliberation are open for the public's perusal in the Knesset archive and on the Knesset website, in the Committees section, under the title:  
 יועדת החקירה הפרלמנטרית בנושא איתור והשבת נכסים של נספי השואה.

By virtue of the Agreement with the banks, an Advisory Committee was appointed on May 9, 2001, which is headed by attorney Zvi Barak (who was a member of the 'Volker Committee' that had examined the liability of the Swiss banks to Holocaust victims), and whose members are Prof. Nahum Gross from the Hebrew University (Economic History); Mr. Freddy Wieder (Director General of the Association of Banks); attorney Michael Kleiner (a former Knesset Member); Ms. Smadar Elhanani (economic advisor of the Finance Committee); Dr. Israel Singer (chairman of the World Jewish Congress, and a member of the 'Volker Committee'). During the term of the 15<sup>th</sup> Knesset additional members of the Committee were MK Michael Nudelman (Ha'ichud Hale'umi-Yisrael Beitenu) and Prof. Claude Klein (the Law Faculty at the Hebrew University). The Advisory Committee held 39 meetings during the terms of the 15<sup>th</sup> and 16<sup>th</sup> Knessets.

In July 2001 the Knesset published a tender to choose auditor offices, and law offices that would accompany them, to hold an examination, as stated, in five Israeli banks. The sphere of the examination is the funds and assets deposited by European Jews before and during World War II, in accounts and safe deposit boxes in banks in the country, as well as securities of domestic companies purchased by Jews, and which were not redeemed by the depositors or those with power of attorney on their behalf, or their heirs. The offices were selected on October 10, 2001 by a committee appointed by the Secretary General of the Knesset, attorney Arie Hahn, in accordance with the Knesset procedures. This Committee examined the qualifications of the candidates, their experience in the required sphere, and the sphere of their specialization. After consulting with the various banks, and examining the question of conflict of interests, the Knesset signed an agreement with the offices selected, in which it was stipulated that the topics of the examination were to be: 'data about accounts (current, safe deposit boxes, securities etc; hereinafter: accounts) for the purpose of locating accounts of Holocaust victims in the banks; the financial aspects of the accounts, including the preservation of the value of the money, commission charges, transfer of money and property to other bodies in the country or abroad (including the Administrator-General and the Ministry of Finance); actions by the banks, within the framework of the provisions of the law, to locate relatives of accountholders who perished in the Holocaust, and transferring the funds to them, and the manner in which the banks dealt with approaches by heirs'.

The Committee appointed by the Secretary General of the Knesset chose five auditor offices and three law offices to perform the external examination in banks in Israel. The auditor offices chosen are: Barlev & Co., Auditors (hereinafter 'the Barlev office'); Sharoni-Shefler & Co.; Zohar Zohar & Co.; Hertzfeld Blattberg & Co.; Caspi & Caspi, Auditors. The law offices are: Harish & Co.; D. Mirkin, Afrima, Barak, Milstein & Co.; Rami Goldstein & Co. The offices started to work on October 30, 2001. The examiners are subject to the said Parliamentary Committee of Inquiry, headed by Knesset Member Colette Avital, and the Advisory Committee that is accompanying the examination, headed by attorney Zvi Barak.

In February 2000 the Parliamentary Committee of Inquiry published, by means of the various means of communication, a notice to the public regarding its establishment, and called upon the public to approach the Committee in writing, and pass on to it any information connected with the subject of the accounts of Holocaust victims in Israeli banks, including copies of documents. The Committee has received so far only around 100

approaches on the issue. After it started the examination in the banks, in January 2002, the Committee of Inquiry once again approached the public, by means of the various means of communication, with a call to assist the examination and inquiry work on the issue of locating and returning the assets of Holocaust victims; anyone who has information, connected with the issue of the accounts of Holocaust victims in banks in Israel, was requested to hand it over to the Committee. Most of the approaches were referred to the examining auditors (See their finds in the appendices to this report).

The Advisory Committee organized four tours for the teams of examiners: to the Central Zionist Archive in Jerusalem, to the State Archive, to the archive of the Administrator-General and to the archive of the Bank of Israel. After studying the material, and prior meetings in the banks and other places in the country and abroad, the teams of examiners collected documents, examined the banks' books of accounts, met with veteran employees in them, examined archives and records centers in the banks and the Bank of Israel, were assisted by external archives (the Central Zionist Archive, the Jewish National Fund archive, the archive of the Administrator-General, and the State Archive); examined archives in Great Britain (of the Barclays-Discount Bank and the British Public Records Office), and examined the approaches from the public that had reached the Inquiry Committee. The total budget of the Committee to perform the examination is NIS 13 million. The work of the auditors offices amounted to 70,000 work hours. On the basis of all of these they processed the material and prepared final reports for the Advisory Committee. These reports are attached herewith as appendices 1,2,3,4,5.

The Advisory Committee accompanied the work of the auditors for over two years, in its methodological and practical aspects; it held monthly meetings and responded to approaches and questions from the various offices, also in light of the experience of similar committees of inquiry abroad. The auditors were instructed to concentrate on the goals of the examination as summarized in the document of principles, and to examine the chain of activities in the accounts of the Holocaust victims in the banks, even if they were transferred to a third party (the Custodian of Enemy Property in the British Mandatory Government, the Custodian of Enemy Property in the Ministry of Finance in Israel, and the Administrator-General). This method makes it possible to determine in each case responsibility for payment - if a refund is due to the accountholder or his heirs; the body responsible and the relationship among the various bodies responsible for the total payment. Finally, the responsibility is distributed between two: the State of Israel, and the various banks that will be mentioned below. Though this form of examination broadened the work of the auditors, since it was necessary to record by magnetic means the material in the files, but today there exists an appropriate presentation for the chain of activities in the various accounts over the last sixty years. The reports of the auditors that are attached herewith, are the accounting result of their work.

#### **4. Instructions for the Examiners**

**The Committee of Inquiry guided the examiners to carry out the examination in the banks on the basis of the following assumptions:**

##### **A. A list of the accountholders**

A list shall be made of the holders of bank accounts, with regards to whom there is a likelihood that they are Holocaust victims. A separate list shall be prepared of accounts regarding whose owners the Government's liability was determined, and of accounts regarding whose owners the banks' liability was determined.

##### **B. The assumption of non-payment**

This concerns funds that returned to the bank from the British Custodian of Enemy Property or from the Israeli Custodian, on behalf of the accountholders or their heirs, and it is not clear whether these funds were actually paid to them. In each such case the essence of the file must be examined. The report regarding each of the banks will include separately the sums with regards to which there is no proof whether the money was returned to the accountholders, and as a result of this it is unknown whether the sums remained in the bank, or were nevertheless returned at some stage to the accountholders, but no records remain about it. In the report these sums will not be mentioned as part of the liability of the bank or the State.

##### **C. Payments due to a basic asset**

If a basic asset (such as a deposit, bond, security) was found, that was handed over to the British Custodian of Enemy Property, and there is evidence that current payments and credits were transferred to him on account of this asset (such as a dividend, interest on bonds, etc.), every such payment will be viewed as if it had been handed over to the British Custodian of Enemy Property, even if no explicit evidence was found for a specific payment of this type. The date of the deposit will be determined as close to the date of the transfer to the British Custodian of Enemy Property. If evidence was found that proves otherwise, action will be based on it.

As to the basic asset: in most cases it is unknown what the basic asset was, and what became of it (according the Custodian's decree, this asset remained under the control of the bank), and therefore it was not reappraised, and is mentioned in a footnote. If information was found on the basic asset, the asset is to be included on the list of balances in the file or in the footnotes. If this asset is under the control of the examined bank (such as the bond of the Mortgage Bank belonging to Bank Le`umi), the asset will be reappraised on the day of redemption.

##### **D. The State's responsibility**

The responsibility of the State as heir of the British Custodian of Enemy Property's responsibility (according to the agreement of 1950), shall apply to all the sums that were handed over to the British Custodian of Enemy Property by law, and that as of the first day of the reappraisal. The banks shall have no responsibility over these sums.

## E. Dates

(1) **The date of the beginning of the reappraisal** of the balance in the bank will be the **later of the following**: the date on which the sum was deposited in the bank, the date on which the state was conquered (according to the dates published by decree of the British Custodian of Enemy Property), or the date on which the War broke out, September 3, 1939 (if it is impossible to identify the state). Despite the aforesaid, should a potential claimant or his heir prove that in a certain case concerning him the date is different, that date will be the one for the beginning of the reappraisal.

(2) **The date on which the funds were handed over** to the British Custodian of Enemy Property will be determined on the basis of the documents of the relevant government body. Should official transfer documents of the bank be found, which indicate a date that is significantly different from that appearing on the documents of the government body, the determining date will be that appearing on the bank documents. In case it is impossible to determine the date on which the funds were handed over to the Custodian of Enemy Property, the sum will be transferred to a separate item that is not defined as the bank's liability.

(3) If it is impossible to prove the existence of a connection between the accountholder and the bank, every case will be examined on its merits, on the basis of mitigating criteria. (This concession applies to countries with regarding which the date of September 3, 1939, does not apply, for whatever reason).

## F. Payment of interest and linkages on accounts with regards to which there was an agreement between the customer and the bank

All the accounts will be reappraised on the basis of the full linkage to the consumer index in Israel, from May 15, 1948 to **September 30, 2004**, together with a cumulative annual interest of **3%** as of **the day on which the reappraisal began until September 30, 2004**.

## G. The accountholders with regards to whom there is doubt as to whether the definition 'Holocaust victims' applies

(1) These are the categories of accountholders **who will not be included** on the list of accountholders of Holocaust victims, nor on the list of the bank's financial liability:

(a) Accountholders, who were not under Nazi rule, or who left the enemy states before the day of conquest, will not be included on the list if there is no information regarding the reason for their departure from the enemy country, or there is no connection between the reason for their departure and the War.

(b) Though the British Custodian of Enemy Property declared the Lebanon, Syria, and Turkey as enemy states, the accountholders who had resided in these countries during the War will not be included on the list of accountholders who are Holocaust victims, unless articles 2 or 3(a) below apply to them.

(c) Funds that were transferred by the resident of a state, that was neither conquered nor defined as an enemy country, on behalf another person, whose residence was an enemy country or a conquered country, and were then returned to the original transferor, shall not be included on the list of accountholders who are Holocaust victims.

(2) These are the categories of accountholders whose names **shall be included** on the list of accountholders of Holocaust victims **but shall not be included** on the list of financial liability of the bank:

If the accountholders escaped or left the enemy countries before the day of conquest for fear of their lives due to the War or persecution, these files will be included on the list of accountholders who were victims of the Holocaust, and each case will be examined on its merits.

(3) These are the types of accountholders whose names **will be included** on the list of accountholders who are Holocaust victims, and on the list of the financial liability of the bank:

(a) Accountholders, who escaped the conquered states to a neutral or friendly state after the outbreak of the War, will be included on the list with regards to those years in which they resided in conquered countries, even if their money was returned after the end of the War.

(b) The accountholders whose last address was a state that was not an enemy state, but it is not clear whether they escaped to it from an enemy state, shall be included on the list, and every case will be examined on its merits.

(c) Any case in which the name of the owner is an association, and it includes a plaintiff who might be included on the list, will be examined on its merits.

#### **H. Enemy states**

In addition to the states that were declared to be enemy states by the British Custodian of Enemy Property, there is in the '*Yad Vashem*' institute a list of conquered states, and the dates of the conquest, which is based on historical material. Beyond these states, one must also mention Libya, Algeria, Tunisia and Free France as states that were affected by the War, and they must therefore be considered enemy states. In any case of controversy regarding the date of the conquest, the date will be determined on the basis of the '*Yad Vashem*' data.

#### **I. Dormant accounts**

Dormant accounts that were opened before the War, with whose owners there was no contact until after the War, and the citizenship of the owners was unknown: in certain cases this was a breach of a British Government decree regarding the duty to hand over the funds to the British Custodian of Enemy Property. The Committee decided that every account in which there was no activity after February 1, 1933, will be included on the list of accountholders who were Holocaust victims.

#### **J. Funds that were returned by the end of the War**

A deposit that was redeemed or funds that were returned by the Bank by May 8, 1945 (the date on which the War ended), will not be considered money of Holocaust victims, and will not be included in the bank's liability.

#### **K. Single balance (reference)**

Accountholders and surplus balances in an account, with regards to which only a single reference was found in the documents located in extra-bank archives, will be considered as money of Holocaust victims, and will be included in the bank's liability, in cases in which it is also possible to refer on references found in the bank, that include supporting information.

## L. Rules of reappraisal

The Jewish people demanded of all the financial institutions around the world, that were engaged in the return of the funds belonging to Holocaust victims, to return them after at their real value. Since also in Israel the banks, or the Administrator-General, returned the balance of the capital that had accumulated over the years to part of the deposit owners or their heirs, without sufficient reappraised value or linkage, the Advisory Committee believes that it is necessary to apply the reappraised value rule in the State of Israel as well.

The Advisory Committee believes that there is a difficulty in reappraising the value of the shares of the banks and/or other companies, that are held as a deposit or a trust by the banks and/or the General Administration, since the value of the shares of a commercial company, is a function of the current value of the company. This value does not always express the fact that the Holocaust victims or their heirs could not, for a long time, act as owners of these holdings. The Advisory Committee recommends that their reappraisal should be done at a later stage, by those who will implement the Report.

The Advisory Committee chose a reappraisal method that is based, *inter alia*, on the basic assumption that the financial institutions, that held the funds of the accountholders, charged them ordinary commissions even after the picture of the destruction in Europe became clear. In some of the banks the continued charging the bank accountholder with commissions, led in certain cases to the liquidation of the balance in fact, in other words, to the nullification of the account in favor of the financial institution with which the account was deposited.

Furthermore, in light of the fact that a large part of the funds went through State institutions, or that the State agreed, when receiving them, to release the transferor to the State of responsibility for them - the Advisory Committee recommended that the funds be reappraised on the basis of linkage to the consumer price index in Israel for the period to be determined, with an addition of an annual compound interest of 4%, which is similar to what was decided in the Volker Committee, that examined the bank liability to Holocaust victims in Switzerland. This calculation is based on the calculation that is customary when the State collects debts or taxes from the citizens, or pays them.

Nevertheless, the Advisory Committee recommended that the reappraisal, as mentioned above, will apply only for the purpose of calculating the sums that those who will be recognized as being entitled will receive, be they accountholders or their legal heirs. Regarding the rest of the accounts, **and as a basis for the Committee's report**, the Committee will publish its recommendations on the basis of what was said in article (f) above.

Following the action of the Committee of Inquiry and the Advisory Committee, the reporting by the Administrator-General, and the deliberation held following it, two proposals were prepared for changing the law:

- (1) A bill prepared by the Parliamentary Committee of Inquiry, that was presented for Preliminary Reading, and will be ready for First Reading.
- (2) **The Administrator-General (Release of the Assets of Those Who Perished in the Holocaust) (Emergency Decree) bill.** This is a proposal by the Government to change the

Administrator-General Law of 1978, and it intended for assets regarding which there is reason to assume that their owners perished in the Holocaust. Most of these assets are managed today by the Administrator-General as 'abandoned assets', and a minority of them is in the hands of various public and private factors, such as the Jewish National Fund, the Land Development Corporation, and the banks. Conscious of the special importance in returning these assets to the heirs and relatives of the victims, the bill seeks to facilitate the procedure of releasing the assets, and transferring them into their hands, and the procedures for their proving entitlement; and this by creating an apparatus that will made the duty of proof easier for the heirs. The members of the Committee hope that the bill will be tabled in the Knesset for first reading as soon as possible.

## 5. Historical Background <sup>10</sup>

### A. The Growth Process of the Economy of Eretz Yisrael

The process of Jewish settlement in Eretz Yisrael led to extensive changes in the economic structure of the country, and in the social lives of all the residents of the country at that time. The changes and the modernization were much more far reaching in the Jewish community (the *Yishuv*), that was the 'growth engine' throughout the period from 1919 to 1940. The population of the *Yishuv* grew at extraordinary rates, as a result of Jewish immigration and natural growth. The growth in product was made possible by the importation of capital that accompanied the immigration. The growth of the Arab economy in the country also resulted primarily from the Jewish demand for land, labor services and housing, and products from the Arab sector; also the increase in the revenue of the Palestine Government from taxes resulted mainly from the growth in the Jewish *Yishuv* and the rise in its standard of living, which enabled the Government to increase the level and scope of its services and (relatively low) investments. The Government on its part adopted a policy of minimal involvement in the economy, both because of the liberal ideology, and due to the duty to curtail the tax burden and to balance the Government budget, that Great Britain imposed on all its colonies and mandated areas.

The Mandatory authorities themselves recognized the uniqueness of the Jewish immigration to the country: it was different from other migrations in that it was not driven by economic attraction only, but it involved other causes of attraction (such as Zionism) and causes of repulsion (from the states of origin). The report of the Government Migration Department for 1935 compared 'natural migration' to a pump, but that in the case of the migration to Palestine, while Palestine acted as a pump, the countries of emigration acted as a fountain. During the Mandatory period a third type of factors was added to the immigration: the closing of the gates of countries that had absorbed large European immigration in the 19<sup>th</sup> Century and the beginning of the 20<sup>th</sup> Century. As a result of changes in the said factors, there were cyclical waves of Jewish immigration to the country, and the importation of capital (financial and human) that accompanied it in the 1920s and 1930s (as stated in article 2

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<sup>10</sup> This chapter was written by Prof. Nahum Gross, a member of the Advisory Committee and an expert in Economic History



above). These waves dictated the cycles of prosperity and slump in the economy of the country.

### **B. The period of prosperity, 1932-1935**

In the years 1932 to 1935 the country experienced a period of prosperity and welfare as a result of the large wave of immigration from Europe (40,000 immigrants per annum on average), primarily from Poland and the countries of Central Europe, and extensive importation of accompanying financial and human capital. The prosperity was especially noticeable against the background of the crisis that had befallen the country several years earlier ('the crisis of the Fourth Aliya'), and against the background of the serious world economic crisis. The world crisis manifested itself in unprecedented unemployment, a business slump accompanied by diminishing production and foreign trade, a paralysis in investment, and a fall in prices and profits.

The Fifth Aliya, and the importation of capital were pushed by the rise in anti-Semitism (official as well), the economic crisis and uncertainty in the countries of origin, while the entry of migrants to the countries of Western Europe, Northern America and Latin America. They were attracted to the country by the prosperity (which they themselves had caused, to a large extent), the political freedom, and the development of the Jewish National Home, as well as the profitability of investments in the citrus and construction branches. The absorption capacity of the Jewish *Yishuv* in the 1930s was much greater than in the mid-1920s, thanks to the demographic and economic growth, and the gradual absorption of the immigrants of the Fourth Aliya.

Among the factors that assisted the prosperity, the great success of the export of citrus fruit to Europe, that continued to expand despite the world crisis and the competition from the citrus-growers of Spain and Italy, was notable. In light of the high profitability and the expectations for its continuation, the citrus branch was a preferred target for investors (including Jews in Europe and in the United States) and provided employment in the groves and accompanying production branches. An additional important cause for the prosperity was the general fall of prices in the world, that enabled a large importation of investment and consumption goods.

A unique phenomenon for this period of time was the '*Ha'avara*' (**transfer**) **enterprise**, that was designed to enable the (partial) saving of the Jewish property from Nazi Germany, and later also from the annexed countries, Austria, Czechoslovakia (a similar enterprise operated in Poland, the '*Khalifin*' (**exchange**) company). The 'transfer' enterprise was designed to enable the Jews to take out from Germany a sum of one thousand Palestine Pounds (PSP), a sum that enabled potential immigrants to receive immigration certificates outside the of the quotas ('capitalist certificates'), despite the prohibition on the removal of money from Germany (a prohibition introduced towards the end of the Weimar Republic). Furthermore, the agreement with the Third Reich allowed the transfer of Jewish property to Palestine (only!) in the form of German products, that were purchased with the money of Jews, and sold in the country, and the return was credited in Palestine to the credit of the person whose money was used to purchase the goods in Germany. The intention of the German Government was to encourage both the exit of the Jews from Germany, and

production and employment in it. For this reason the conditions for the transfer of property was worsened from 1936 onwards, when the German economy reached full employment, and the economic dispossession of the Jews intensified. During the years of the transfer the transferor lost at least a third of the value of his money, due to the manner in which the exchange rate was calculated, and the inflation of the prices that he was forced to pay in Germany (and perhaps also due to factors in the country).

The transfer enterprise raised a storm both in the Jewish *Yishuv* in the country, and abroad, especial among the Jews of the United States. Those in favor pointed to the need to save at least part of the property of the immigrants from Germany, and to the benefit from the importation of capital goods from Germany, with its excellent industry. The opponents raised moral arguments, but also pointed to the damaging competition with the existing Jewish industry in the country. The '*Ha'avara*' company tried to overcome the damage to local production, and the limitations of the market for German goods in the country, by distributing part of the imported products in neighboring countries - an operation that gained only relatively little success.

### **C. The slump period, 1935-1939**

'The Fifth Aliya crisis' broke out as a result of the scare caused by the withdrawal of bank deposits in August 1935, within the framework of the international political crisis around Italy's threats on Ethiopia. However, its causes were more deep rooted: (a) the cumulative absorption difficulties of so large an immigration in permanent jobs - difficulties that were aggravated due to the relative lag in the importation of financial capital relative to the number of immigrants; (b) a decline in the price of citrus in Europe, especially as a result of a significant rise in supply, that caused a cessation in planting due to the fall in profitability in the branch, and that continued as a result of the coming of age of the groves that had been planted in the late 1920s and early 1930s; (c) poor crops in 1936; (d) an increase, or stabilization in most prices in the world market, that made imports into the country more difficult; (e) excessive supply of workers with academic qualifications, part of whom poured into other occupations; (f) disruptions in the production and trade systems in the country, as a result of the general Arab strike that broke out in the Spring of 1936, and "the Arab Revolt" that lasted for over three years. The 'disturbances' damaged part of the Jewish production branches, even though the employment of Jews in the groves, and in the *Hagana* and settlement enterprises, rose. The decline in the Government's revenue, that resulted from the recession in the economic activity, and diminishing imports, and the damage to property, led to a reduction in the 'civilian' expenditure of the Government, while its 'security' expenditures grew, and it was in need of a subsidy from Great Britain.

In addition to the economic factors there were political factors, and the atmosphere turned into business pessimism. This increased the diminishing desire or ability to immigrate to the country and transfer capital to it. The average number of immigrants in these years was 21,500 only for a single year. The importation of private capital diminished, and it was only partially offset by the increase in the importation of public capital (from the funds of Zionist contributions). The economic crisis became harsher, and unemployment reached 8% of the Jewish work force in 1939. The product of the Jewish economy fell in this period by 4.4% per annum on average. In many respects the crisis was the result of the vast immigration

wave (in relation to the size of the country) that had preceded it, that caused cumulative absorption difficulties, and an aggravation of the opposition and fears of the Arabs in the country, in face of the development of the *Yishuv*, and the increase in its relative part in the population and the economy.

#### **D. The period of World War II and its aftermath, 1939-1947**

The outbreak of World War II, on September 1, 1939, changed the state of affairs in Palestine as well. During the War the ways and methods of the economic policy changed, in order to mobilize resources for the war effort, while taking measures to protect the welfare of the civilian population. The seaways in the Mediterranean were largely blocked after the entry of Italy into the War in June 1940, and consequently imports to the whole Middle East, and the export of citrus fruit from the country, decreased. Within the framework of the 'war economy' there was rationing of imports (by volume) and rationing of currencies outside the Sterling bloc, freedom of initiative and activity in most of the production system was cancelled, though without damaging existing property rights or the right to derive profits from businesses and property. Very soon the economy of the country shifted from a situation of price stability or reduction, to an inflationary trend, and from unemployment and recession - to renewed prosperity. The new trends forced the Government to introduce price control and the rationing of raw materials in most branches of the economy, and control and rationing in goods considered vital.

In the first stage adaptation difficulties were felt, as well as an increase in unemployment that resulted especially from the reduction in foreign trade, citrus growing and construction activities. But very soon demand from the allied armies started to manifest itself, that resulting from the need for import replacement. The Government encouraged agricultural production and its enhanced mechanization, and despite the increase in production, the prices of agricultural produce rose faster than the average price rate; the relative condition of the farmers improved, the gap between Jews and Arabs diminished, and the inflation released them from most of their debt burden. The British Government and military authorities invested many resources in the encouragement of the development and diversification of the Jewish industry in the country, which joined the Egyptian industry as an important military supplier in the Middle East. Also the accompanying services - such as commerce, medicine and entertainment - benefited from the rise in military and civilian demand. The applied-science research branches also served the requirements of the war effort.

The military demand reached its peak in the years 1941-1943: military purchases constituted around 68% of the net national product of Palestine. Military demand constituted in the war years the engine in the economic growth process, to which was added the arrival of immigrants and the importation of contribution-capital (especially from the United States and South Africa). However, since the domestic and imported foods were insufficient to respond to the increasing demand, there was a great accumulation of liquidity in the form of cash, in bank deposits and securities from the Sterling bloc countries. Despite the efforts of the Government to restrain and absorb the inflationary pressure, in the course of the war years the level of prices in the country more or less trebled - a rate that was much higher than the rise in the consumer price index in the course of the War in the United States (around 50%) and in Great Britain (around 30%). Most of the public, including the bankers, believed that the rise

in prices is a temporary phenomenon that would be rectified after the War. Indeed, the Government froze rents and an increased cost of living increment agreement was implemented in the Jewish industry and the Jewish public service, but a system of linking debts and liquid assets to the consumer price index, or the rate of the dollar, did not develop.

Contrary to expectations, the end of the War, including the demobilization of around 40,000 volunteers to the British army (27,000 of them Jews) into the civilian labor market, did not lead to an economic recession. The great demand for civilian construction, and the renewal of citrus exports (despite the fall in the production capacity of the branch during the War) constituted - in accordance with the pattern of the economy of the *Yishuv* between the World Wars - engines of growth, and therefore a moderate increase of prices continued.

### **E. The banking system**

The development of the banks in Palestine, and especially in the Jewish *Yishuv*, was both the result of the economic growth and modernization processes, and a factor that assisted them. On the basis of modern banking towards the end of the Ottoman period, and British Mandatory legislation, from the beginning of the 1920s the foundations for the Jewish banking system were laid: commercial banks, cooperative associations for credit (of the 'Savings and Loan' type) and mortgage banks. Investment companies were founded as well, especially with Zionist capital from the United States and Great Britain.

The most important bank in the country was **Barclays Bank** (a follow-up of the Anglo-Egyptian Bank), which served both as the Government's bank and a commercial bank, and served all sectors of the population in the country. The largest and most important Jewish bank was the Zionist Organization bank, founded in 1902, and called the **Anglo-Palestine Company**, that changed its name in 1930 to the Anglo-Palestine Bank, and eventually to Bank Le'umi Leyisrael. Among the other banks, that were much smaller than the Anglo-Palestine Company were **Bank Hapo'alim**, founded in 1921/22 and 'the Central Bank for Cooperative Institutions' (for the encouragement of cooperation in the *Yishuv*) that was founded in July 1922. Two mortgage banks were founded in 1921/22 - the important one the 'Mortgage Bank' of the Zionist Organization, that eventually turned into a subsidiary of the Anglo-Palestine Bank.

During the prosperity of the 1930s the banking system played a major role in supplying the financial services for the *Ha'avara* enterprise. The financial sector expanded extraordinarily: in the years 1932-1935 46 new banking associations were registered, and at the end of 1936 there were 74 banks and around one hundred cooperative associations. This growth reflected the rapid growth in product, and the increase in demand for means of payment that accompanied it, as well as the immigration of several bankers from Germany.

The multitude of new banks, some of them with little equity, caused concern among the old-time bankers. And indeed, many of the new banks acted with insufficient caution. Under pressure from the established banks the Government appointed a public committee for banking affairs in 1933, but its recommendations were not implemented. This failure was reflected in the 'depositors' scare' that began in August 1935, and continued with four months of deposit withdrawals from the banks, and the hoarding of stocks and cash. Part of the small

banks and their customers entered a high-risk situation, and only a swift rescue operation of the two large banks in the country, Barclays and the Anglo-Palestine Bank (with the encouragement of the Government of Palestine), prevented collapse. The Government drew conclusions from the crisis, and set up a system of supervision over the banks. Legislation in the years 1936-37 imposed limitations on the continued existence of banks, and the establishment of new banks. The number of banks operating in the country decreased to 32 at the end of 1939 (after an additional run-on-the-banks upon the outbreak of the War), and to 25 only at the end of the World War.

The economic crisis that began dramatically with the bank crisis, left its marks on the banking system throughout its duration, both on the reduction in the volume of deposits, and regarding the excessive caution in extending credit. In this period the difference in the conduct of the foreign banks (especially Barclays DCO, the Ottoman Bank and Banco di Roma) and the domestic banks sharpened. The domestic Jewish banks were not only motivated by business caution, but by the Zionist motive of helping the economy in its crisis.

In the prosperity years 1940-46 there was a major liquidity increase in the economy, and the banks were obliged to grant credit at an extremely low real rate of interest. Seeking additional sources of income, they contributed to the development of a securities market, that started to operate in a limited way in the 1930s, but had not yet reached the dimensions of a real stock market.

**The Anglo-Palestine Bank Ltd.** was, as already mentioned, the largest and most important Jewish bank through the Mandatory period. It was founded by the World Zionist Organization, as a subsidiary of the Jewish Colonial Trust. The JCT was founded in 1899, in accordance with the plan devised by Theodor Herzl for the establishment of a colonization company in order to move the Jewish masses to their new homeland, after receiving a charter for their settlement. But the company did not manage to take off, neither politically nor in accumulating a respectable sum of capital, and its most important achievement was to establish the Anglo-Palestine Company, that started operating in the country in 1903. Its managers strove to operate according to the combined model of an investment bank and a commercial bank - in other words, to engage in infrastructure enterprises by financing the distribution of shares and bonds, and also in current banking activities, involving the receipt of deposits and granting short to medium term credit. Its wings were clipped, to a large extent due to the JCT transferring to it part of its (fairly limited) capital, for the purpose of developing its business in the country.

In the early 1930s a significant change took place in the balance of power and financial connections between the Anglo-Palestine Bank and the Jewish Colonial Trust: the JCT entered a difficult financial situation as a result of the failure to repay loans in Great Britain and the countries of Eastern Europe, and of management failures in London. The Anglo-Palestine Bank provided it with an immediate loan of 50,000 Pounds Sterling, and according to the agreement formulated in January 1934, the JCT stopped engaging in banking activities, and turned into a holding company of the original Anglo-Palestine Company shares. All its good assets and its liabilities were transferred to the Anglo-Palestine Bank, together with guarantees for some of the lost debts.

The independent Anglo-Palestine Bank managed to increase its capital by distributing preferential and ordinary shares on the London stock exchange (and in the country), and continued to develop vigorously. In the early 1930s the bank already had a volume of deposits that was larger than all five foreign banks together. Its strength was noticeable in its share in the rescue operation, together with Barclays Bank, during the “bank crisis” in the Autumn of 1935, and during the additional run-on-the-banks that began a little before the outbreak of the War, and continued throughout most of the Spring of 1939. The second time Barclays Bank refused to assist the domestic banks without a Government guarantee, and the Anglo-Palestine Bank carried out a selective rescue operation on its own. From the end of 1939 until the end of 1945 the total balance sheet of the Bank grew from approximately PSP 10 million to PSP 51 million - a real growth of around 90%.

Upon the end of the Mandate and the Proclamation of Independence, the Anglo-Palestine Bank assumed the role of issuing the currency of the new State of Israel. Since the name of the State and the name of the currency were not yet known when the bank notes, that were printed abroad, were ordered, the first series bore the name of the bank and the name “Israeli Pound”. In accordance with the agreement between the Anglo-Palestine Bank and the Interim Government, a separate ‘issuing department’ was established in the bank that until the establishment of the Bank of Israel in 1954 fulfilled many of the functions of a central bank. As of January 1951 the bank turned into an Israeli Company by the name of **Bank Le`umi Leyisrael**, after 98% of the shareholders of the Anglo-Palestine Company (half of them British investors) accepted the proposal to convert their shares into those of the new company.

## PART TWO: THE MAIN FINDINGS

For a long period bank deposits, cash, chattels, property, valuables and securities were handed over to the Administrator-General. The auditors were impressed that around 7,500 of them might be connected to the subject of the examination. The **C** files constitute an important source of data regarding the handling of the property, from the time that it was handed over to the British Custodian and until its transfer to the Administrator-General. The **A** (Assets) files, that were the files relating to management, and other non-pecuniary property, also include documents connected to property, and constitute an important source for its handling. The **E** files are estate files that are handled by the Administrator-General of Israel. At the time of the writing of this report the **E** files included approximately 17,000 case files that were opened since the beginning of the State to the present day. 1,679 of their owners are defined as persons who, with a high level of probability, are Holocaust victims.

The Administrator-General classified the **A** and **C** files that he had received from the Israeli Custodian of Enemy Property: some of them were closed as a result of the funds and property being released; 835 files were closed because their balance was less than IL 100; the remainder, around 561 files, were redefined as estate files (**E** files). In addition to the files received from the Israeli Custodian, the Administrator-General received additional funds and property that were in the banks within the framework of accounts without movement ('dormant'), and this in accordance with the provisions of the law. These too were opened as estate files. It should be noted that the funds or property were referred for his treatment only if they were above a minimal balance, determined by him from time to time. These files include, *inter alia*, documents regarding the transfer of funds and property, demands for release, release notices, and reports on the administration of the funds.

It should be emphasized that all the auditors' offices confronted serious problems in their examinations. These examinations included files, index cards, books of the shareholders, minutes and safe deposit boxes in the five banks; searches for archival material in the country and abroad, meetings with persons holding positions in the past and the present etc. - all this in order to construct a list of customers' names, with regards to whom there was a high degree of probability that they might be included in the definition of Holocaust victims. The main impediment that stood before the examiners resulted, by the nature of things, from the long period of time that had gone by since the accounts were opened to the present day. In many banks no documentation was kept for such a long period.

In part of the bank records 'the date of the opening of the account' was determined for the day on which the manual accounts turned into computerized ones. Some of the banks destroyed archival material of branches, when all the archives were concentrate in a single location. Fires and flooding destroyed documents. Over time subsidiaries were merged, or banks merged with another bank, by means of a transfer of ownership of shares. Add to all these inflation, which in the absence of linking eroded the dormant balances of the depositors, and led to the cancellation of many of them. Fore example, 100 Pounds Sterling from 1939, turned on October 1 1980 into 10 old Shekels, and on December 1, 1986 into 0.01 new Shekels, in other words, a single agora. On some of these balances commissions were

charged over the years, so that instead of a balance a 'debt' of the holder of the dormant account might have been created.

We must repeat that the examination, which included tens of thousands of accounts, was designed to create a list of accounts whose holders might have been, with a high level of probability, Holocaust victims. Some of the accountholders, or their heirs, received from the Administrator-General the balance of the capital over the years, but without reappraised value or linkage. The Committee felt that they should receive the sums at reappraised value according to the rules laid down, and consequently the lists of accounts or their holders, as decided by the examiners, also include those to whom the nominal principal was returned. In a large part of the auditors' data, it became apparent that most of the reappraised sums stem from linkage and interest differences for funds that were returned.

According to the law in Israel any owner of an abandoned asset must hand it over to the Administrator-General. However, as stated, the funds were usually transferred, at a later stage, at nominal values, which had a negative effect on accountholders.

The table below brings together the findings of the examination by the auditors' offices. It includes the number of accounts included in the said list, and the reappraised sums in these accounts, for September 30, 2004, on the basis of linkage to the consumer price index as of May 15, 1948 and with the addition of cumulative annual interest of 3%, as determined by the Advisory Committee. As stated above, the auditors examined the movement of the files, in accordance with the periods in which the sums of the deposits lingered with each body, in order to determine who is responsible for payment today. Since, as described above, in 1950 the State of Israel reached an agreement with the British Custodian regarding the waiving of its claims from him, it is the State that is responsible for the sums mentioned below in the column 'the British Custodian', and it is clearly responsible for sums that lingered with the Israeli Custodian in the Ministry of Finance, and with the Administrator-General.



**Findings of the auditors examination in the banks, based on the instructions of the Advisory Committee, assessed on the basis of a known index plus 3% interest, for September 30, 2004 (1)**

The bank	Type of file	Number of accounts (2)	Reappraised sums that have not yet been returned, NIS				Total
			Under the responsibility of the bank	Under the responsibility of the State of Israel, resulting from property held with:			
				The British Custodian of Enemy Property	The Israeli Custodian of Enemy Property	The Administrator-General	
<b>Bank Le'umi Leyisrael Ltd.</b>	Accounts	2,277	32,204,319	25,104,638	30,716,186	7,789,633	<b>95,817,776</b>
	Securities	135	3,161,650	1,576,008	1,349,858	118,302	<b>6,205,818</b>
	Accounts not attributable	129					<b>6,715,952</b>
	<b>Total</b>	<b>2,541</b>	<b>35,365,969</b>	<b>26,680,646</b>	<b>32,069,044</b>	<b>7,907,935</b>	<b>108,739,546*</b>
<b>Bank Hapo'alim Ltd. (3)</b>	Accounts	84	81,901	247,887	543,327	4,984	<b>878,099</b>
	Securities						-
	Accounts not attributable	13					<b>536,270</b>
	<b>Total under responsibility of Bank Hapo'alim</b>	<b>97</b>	<b>81,901</b>	<b>247,887</b>	<b>543,327</b>	<b>4,984</b>	<b>1,414,369*</b>
<b>Bank Hamizrahi Hame'uhad</b>	Accounts	101	50,983	143,925	385,802	92,199	<b>672,909</b>
	Securities						
	Accounts not attributable	254		4,299			<b>4,299</b>
	Accounts found in the Central Zionist Archive (4)	11	1,723,705	-	-	-	<b>1,723,705</b>
	Accounts found in the State Archive (4)	17	-	204,109	-	-	<b>204,109</b>
	<b>Total</b>	<b>383</b>	<b>1,774,688</b>	<b>352,333</b>	<b>385,802</b>	<b>92,199</b>	<b>2,605,022*</b>
<b>Mercantile Discount Bank Ltd.</b>	Accounts	406		14,871,518	10,429,467		<b>25,300,985</b>
	Securities	27		724,749	1,139,705	5,629	<b>1,870,083</b>
	Accounts not attributable	15					<b>11,275</b>
	<b>Total</b>	<b>448</b>	<b>-</b>	<b>15,596,267</b>	<b>11,569,172</b>	<b>5,629</b>	<b>27,182,343*</b>
<b>Israel Discount Bank Ltd.</b>	Accounts	110	29,177	3,062,259	1,975,297	11,545	<b>5,078,278</b>
	Securities	11		597,529	70,503	30,871	<b>698,903</b>
	Accounts not attributable	5					<b>193,573</b>
	<b>Total under responsibility of Discount Bank</b>	<b>126</b>	<b>29,177</b>	<b>3,659,788</b>	<b>2,045,800</b>	<b>42,416</b>	<b>5,970,754*</b>
<b>Total</b>		<b>3,595</b>	<b>37,251,735</b>	<b>46,536,921</b>	<b>46,613,145</b>	<b>8,053,163</b>	<b>145,912,034*</b>
						<b>Total for which the State of Israel is responsible</b>	<b>101,203,229</b>

See comments 1-4 on next page.

\* This sum is the total of all the sums, both those that are attributable and those than are not attributable.

### Comments regarding the table

(1) The table does not include a reappraised sum of NIS 70,802,000, emanating from funds transferred by the British and Israeli Custodians of Enemy Property, or the Administrator-General back to the banks for clients or heirs, and there is no additional information regarding them. It is reasonable to assume that the bank transferred the money to the applicants in these files, but there is no information on this. Below is the distribution of this sum among the banks:

<b>The Bank</b>	<b>The reappraised sum in NIS</b>
Bank Le`umi Ltd.	35,618,587
Discount Bank Ltd.	2,167,000
Bank Hamizrahi Hame`uhad	470,000
Bank Hapo`alim	96,000
Mercantile Discount Bank Ltd.	32,450,000
<b>Total</b>	<b>70,802,000</b>

(2) The number of files includes a large number of accounts that were transferred to the British Custodian until 1948, and a more limited number of accounts transferred to the Israeli Custodian after 1948.

(3) The table does not include 293 files in Bank Hapo`alim, regarding which there is a likelihood that they are files of Holocaust victims. The reappraisal of these files is estimated at NIS 2,961,203.

(4) Regarding the accounts found in the Central Zionist Archive or the State Archive see explanation on p. 45 below.

**Findings of the auditors examination in the banks, based on the instructions of the Advisory Committee, assessed on the basis of a known index plus 4% interest, from the period from the beginning of the reassessment until September 30, 2004\* (August 2004 index)**

The bank	Type of file	Number of accounts	Reappraised sums that have not yet been returned, NIS				Total
			Under the responsibility of the bank	Under the responsibility of the State of Israel, resulting from property held with:			
				The British Custodian of Enemy Property	The Israeli Custodian of Enemy Property	The Administrator-General	
<b>Bank Le'umi Leyisrael Ltd.</b>	Accounts	2,277	298,901,863	275,206,841	52,593,519	12,575,204	<b>639,277,427</b>
	Securities	135	8,656,717	12,622,715	2,321,582	193,512	<b>23,794,526</b>
	Accounts not attributable	129					
	<b>Total</b>	<b>2,541</b>	<b>307,558,580</b>	<b>287,829,556</b>	<b>54,915,101</b>	<b>12,768,716</b>	<b>697,410,313</b>
<b>Bank Hapo'alim Ltd.</b>	Accounts	84	1,747,368	3,021,282	926,170	6,608	<b>5,701,428</b>
	Securities						
	Accounts not attributable	13					<b>2,405,600</b>
	<b>Total under responsibility of Bank Hapo'alim</b>	<b>97</b>	<b>1,747,368</b>	<b>3,021,282</b>	<b>926,170</b>	<b>6,608</b>	<b>8,107,028</b>
<b>Bank Hamizrahi Hame'uhad</b>	Accounts	101	852,526	4,037,411	654,527		<b>5,544,464</b>
	Securities						
	Accounts not attributable	254		11,751			<b>11,751</b>
	Accounts found in the Central Zionist Archive **	11	12,037,544				<b>12,037,544</b>
	Accounts found in the State Archive **	17		1,305,922			<b>1,305,922</b>
	<b>Total</b>	<b>383</b>	<b>12,890,070</b>	<b>5,355,084</b>	<b>654,527</b>	<b>-</b>	<b>18,899,681</b>
<b>Mercantile Discount Bank Ltd.</b>	Accounts	406		162,242,373	18,159,340	-	<b>180,401,713</b>
	Securities	27		6,652,509	1,921,688	9,267	<b>8,583,464</b>
	Accounts not attributable	15					
	<b>Total</b>	<b>448</b>	<b>-</b>	<b>168,894,882</b>	<b>20,081,082</b>	<b>9,267</b>	<b>189,047,497</b>
<b>Israel Discount Bank Ltd.</b>	Accounts	110	535,883	26,885,110	3,387,528	14,866	<b>30,823,387</b>
	Securities	11		2,068,028	120,757	42,416	<b>2,231,201</b>
	Accounts not attributable	5					
	<b>Total under responsibility of Discount Bank</b>	<b>126</b>	<b>535,883</b>	<b>28,953,138</b>	<b>3,508,285</b>	<b>57,282</b>	<b>33,966,489</b>
<b>Total</b>		<b>3,595</b>	<b>322,731,901</b>	<b>494,053,942</b>	<b>80,085,111</b>	<b>12,841,873</b>	<b>947,431,008</b>
				<b>Total for which the State of Israel is responsible</b>		<b>586,980,926</b>	

\* The Committee considered it appropriate to publish a table of data that includes the sums that would have been reached had the high method of reappraisal, as decided by the Committee had been used, under the assumption that all the heirs will be found. These data are theoretical only, and are not the object of a claim against the government or the banks, and are being published for the sake of information only.

\*\* Accounts found in the Central Zionist Archive or the State Archive. See explanation on p. 45 below.

In addition to the files whose value was reappraised in the table, other files were examined, as follows:

**(a) 2,307 files** that include accounts connected to the subject of the examination, **but in which no relevant financial information was located.** For these accounts files were opened in the computerized system, but their value was not reappraised. Below is the distribution of the files among the banks examined:

The Bank	The number of files
Bank Le`umi Ltd.	161
Discount Bank Ltd.	25
Bank Hamizrahi Hame`uhad	155
Bank Hapo`alim	--
Mercantile Discount Bank Ltd.	1,966
<b>Total for all the banks</b>	<b>2,307</b>

**(b) The bank shares.** The Committee felt that there is a difficulty to reappraise the value of the bank shares held as a deposit or a trust by the banks, and/or the Administrator-General, since it derives from the current value; it does not always express the fact that the victims of the Holocaust or their heirs were unable, for a prolonged period, to behave like owners of their holdings. The Committee recommends that the reappraisal of the shares should be done at a later date, but those who will implement the Report.

The Bank	The number of shares	Total nominal value in PSP
Bank Le`umi Ltd.	499	499
Discount Bank Ltd. *	4,103	4,103
Bank Hamizrahi Hame`uhad	922	
Bank Hapo`alim Ltd. **	8,439	8,439
Mercantile Discount Bank Ltd.	-	-
<b>Total for all the banks</b>	<b>13,963</b>	<b>13,041</b>

\* Out of 60,000 bank shares, that constituted the issued and subscribed capital of the bank in 1941.

\*\* In Bank Hapo`alim we are speaking of around 1,218 shareholders, residents of enemy states, who purchased their shares abroad in the years 1921-1943, and with whom there is no contact. According to the bank's comment, one should not apply to a large part of these shares the calculation and the reappraised value, and/or they should not be included in groups that are, with a high level of probability, Holocaust victims, and this for various reasons, such as they are "to the bearer only" shares. So far the examiners have not received any evidence corroborating the bank's claims.

**(c) Securities.** Bonds and shares of domestic and foreign companies were found in the banks, that are relevant to the examination, whose total nominal value is elaborated below:

<b>Total nominal value</b>	<b>The currency</b>	<b>Bank to which belonging</b>
95,568	Palestine Pound	PSP1,960 in the Discount Bank Ltd. PSP 93,608 in Bank Le`umi Ltd.
25,110	Pounds Sterling	Bank Le`umi Ltd.
126,815	German Marks	Bank Le`umi Ltd.
700	Dutch Florins	Bank Le`umi Ltd.
17,000	Swiss Francs	Bank Le`umi Ltd.
69,950	US Dollars	Bank Le`umi Ltd.
22,250	French Francs	Bank La`umi Ltd.

**(d) Safe deposit boxes**, with regards to which there is a high level of probability that they are relevant for the examination, and they include assets whose value cannot be reappraised.

Below is the distribution among the banks:

<b>The Bank</b>	<b>The number of safe deposit boxes</b>
Bank Le`umi Ltd.	35
Discount Bank Ltd. (1)	--
Bank Hamizrahi Hame`uhad	--
Bank Hapo`alim (2)	--
Mercantile Discount Bank Ltd.	32
<b>Total for all the banks</b>	<b>67</b>

## 1. The Main Findings of the Examination at Bank Le`umi Leyisrael Ltd.

The examination at Bank Le`umi Leyisrael Ltd. was conducted by the office of **Barlev and Co., Auditors**. The survey on the history and transformation of Bank Le`umi, from the time of the Anglo-Palestine Company Ltd., was presented above, as part of the historical survey. As was stated there, on May 1, 1951 all the activities of the Anglo-Palestine Bank were handed over to Bank Le`umi Leyisrael Ltd. The Barlev office examined and gathered material in various archives and Bank branches, in the British Public Record Office and Bank Le`umi in Britain, in the Bank's files and safe deposit boxes, in the bank's subsidiaries, in the offices of the British Administrator-General's and Custodian, it held talks with the Bank's veterans, and prepared a computer program in order to collect, process, cross-examine, and reappraise it. The program served all the auditors' offices in their examination. In the former Anglo-Palestine Bank the Barlev office examined the Bank's accounts, its safe deposit boxes, its subsidiaries, the securities and shareholders' deposits, and the settling of accounts with the '*Ha'avara*' company (See above).

### A. Bank Accounts

On the eve of World War II the number of accounts of foreign residents, relative to the number of accounts in the Anglo-Palestine Company was not large, but their positive balance was substantial. We are speaking of foreign residents, most of whom were residents of states in Europe and North Africa that were later conquered by Germany and its allies. This balance reached a sum of PSP 1,098,000 - around 72% of the total balances of foreign residents. As a result of the War in the years 1939-40 both the positive balances and the number of accounts in the Bank diminished.

On the basis of the Advisory Committee's decision, the value of the accounts will be reappraised in cases in which the accountholders, or their heirs\* will not be found, on the basis of two reappraisal periods: (a) from the time of the beginning of the reappraisal, as defined above, until May 14, 1948 - an annual interest rate of 3%; (b) from May 15, 1948 until September 30, 2004 - linkage to a known index (the August 2004 index) with the addition of an annual interest rate of 3%. According to the examination of the Barlev office, the liability of Bank Le`umi Ltd and the State of Israel on the basis of this method, amounted to NIS 108,739,546, according to the following itemization:

Type of file	Number of accounts	Sums that have not yet been returned, reappraised for September 30, 2004 in NIS				Total
		Under the responsibility of the bank	Under the responsibility of the State of Israel, resulting from property held with:			
			The British Custodian of Enemy Property*	The Israeli Custodian of Enemy Property	The Administrator-General	
Accounts	2,277	32,204,319	25,104,638	30,716,186	7,789,633	<b>95,817,776</b>
Securities	135	3,161,650	1,576,008	1,349,858	118,302	<b>6,205,818</b>
Accounts not attributable	129					<b>6,715,952</b>
<b>Total</b>	<b>2,541</b>	<b>35,365,969</b>	<b>26,680,646</b>	<b>32,069,044</b>	<b>7,907,935</b>	<b>108,739,546**</b>
			<b>Total responsibility of the State of Israel: 66,657,625</b>			

\* The reappraisal in cases in which the accountholders or their heirs will be found, is brought in an appendix to this report.

\*\* This sum is the total of all the sums, both those that are attributable and those that are not attributable.

### Comments regarding the table

(a) The table does not include a reappraised sum of NIS 35,618,587 that stems from funds in 435 accounts that were returned to the Bank by the Custodian of Enemy Property for customers or heirs about whom there is no additional information. It is reasonable to assume that the Bank transferred the money to those who approached it.

(b) The sums include NIS 2,729,553 and NIS 928,611 for accounts and securities respectively, for money held in the Bank in the period prior to its being handed over to the British Custodian of Enemy Property, and that in accordance with the instructions of the Committee will be under the responsibility of the State of Israel.

(c) In part of the files that were reappraised, missing movements of funds were completed on the basis of set rules. These files were marked in the computer system as 'files that were reappraised on the basis of partial information'.

(d) In accordance with the instructions, the sums that appear on the row 'accounts not attributable' are accounts and deposits regarding which it is not possible to attribute liability - to the State or the Bank - in the following types of files: They include details about the accountholder, and there is a high level of probability that they belong to Holocaust victims. In these files a balance was located in the bank account on the date between the beginning of the reappraisal, as defined, and a date close to the termination of the War, May 15, 1945. The course taken by these accounts was one of the following: (1) they were handed over to the British Custodian of Enemy Property; (2) they were handed over to the Israeli Custodian of Enemy Property, and by him to the Administrator-General of the State of Israel; (3) they were released to the accountholders, or their heirs; (4) they remained in the Bank in dormant accounts, or accounts that were eroded.

### B. Safe Deposit Boxes

There were safe deposit boxes in the Anglo-Palestine Company as of the 1920s in several central branches. Until 1946 the Bank rented out around 1,386 safe deposit boxes to domestic and foreign residents. As of the 1970s Bank Le'umi (the heir of the Anglo-Palestine Company) started to open, in accordance with the regulations, safe deposit boxes with whose owners contact had been lost, and by the beginning of 2002 opened around 800 safe deposit boxes: the content of 100 of them was handed over to the Administrator-General, of 100 was returned to the customers or their heirs, and the rest is being held in a safe of the internal supervision system of Bank Le'umi. The Bank itself estimated that around 70% of the safe deposit boxes that were opened were empty. The auditors located 35 safe deposit boxes that

might be connected to the examination, and they are divided into those who were opened by the internal supervision section of Bank Le`umi, whose content was handed over to the Administrator-General; safe deposit boxes that were handed over to the British Custodian of Enemy Property, and the location of their content is unknown; safe-keeping in cardboard files, that were primarily in the securities safe and/or were handed over to the Bank's library, that include documents, securities and jewelry; safe-keeping that included gold coins, and were handed over to the British Custodian of Enemy Property, the location of whose content is unknown. The auditors' office located 10 safe deposit boxes that had been opened in the Anglo-Palestine Bank's branches before 1940, and there was no evidence that any activity had taken place with regards to them. They were closed after several decades.

#### **D. Subsidiaries**

A number of subsidiaries operated in the Anglo-Palestine Company or Bank Le`umi: the General Mortgage Bank of Palestine Ltd.; the Company for Strengthening Exchange Relations Poland-Eretz Yisrael Ltd.; Bank Le`umi UK; The Bank Le`umi Trust Company in London. The Exchange Company operated in the years 1937-38 to encourage the transfer of funds from Poland to Palestine, and opened an account in the Anglo-Palestine Company on the company's name.

The Anglo-Palestine Company purchased the General Mortgage Bank, that was founded in 1921 by the Foundation Fund (*Keren Hayesod*). In the years 1924-38 the Bank issued various series of bonds. Security deposits of European residents who had held these bonds were located; most of them were confiscated by the British Custodian. The interest paid by the Anglo-Palestine Company on the bonds twice a year, was handed over to the British Custodian and his heir, the Israeli Custodian in the Ministry of Finance. In 1946 the Mortgage Bank issued new series of bonds with an interest rate of 4%, and converted the bonds that it had held in 'enemy' accounts into the new bonds. The British Custodian agreed to this arrangement, but the consent of the bondholders was not received: part of them were no longer alive, and with another part it was impossible to establish contact. The auditors located certificates of around 23 bonds of the Mortgage Bank from the years 1924-35, with a nominal value of PSP 2,350, and certificates of around 62 bonds issued as of 1943, and were not redeemed. It is possible that they belong to Holocaust victims. The value of these certificates was not reappraised.

The Barlev office did not examine thoroughly Bank Le`umi UK, that had operated as a central branch of the Anglo-Palestine Company before the established of the subsidiary of Bank Le`umi-UK. It should be noted that thousands of Jew the world round, frequently nameless, purchased shares of the Jewish Colonial Trust, that was, as stated (See above in the historical survey) the original owners of the Bank. Many of these shareholders were among the Holocaust victims. The Trust Company of Bank Le`umi in London holds in trust, with the approval of a court in Britain, a sum of £2,500,000, that is earmarked for the shareholders of the Jewish Colonial Trust who have not yet been located. It may be assumed that many of them perished in the Holocaust. This sum is a return for part of the 5% of the BLL shares held by the Jewish Colonial Trust, and sold in 1980.



### **E. The deposit of securities**

In the Anglo-Palestine Company there were deposits of securities belonging to domestic and foreign residents alike. The customer would open a securities deposit, deposit in it the physical security, the bank placed the security in an envelope, and deposited it in the bank's general safe. Deposits of securities remained in the bank's possession, and were frozen on the basis of the instruction of the British Custodian, and every movement in the deposit had to receive his approval. As stated, the funds received for the securities (interest, dividend) were also handed over to the British Custodian. In various branches of Bank Le`umi share and bond certificates were located from the period examined, in 154 accounts, some bear the names of the purchasers, and some are to the bearer. The Barlev office reappraised the sums (part of them from the files - on the basis of partial information), and they appear in the table in article A. Below are the nominal values:

<b>Total nominal value</b>	<b>The currency</b>
93,608	Palestine Pound
25,110	Pounds Sterling
126,815	German Marks
700	Dutch Florins
17,000	Swiss Francs
69,950	US Dollars
22,250	French Francs

This table does not include bonds of the Mortgage Bank Ltd., which were reappraised, and they appear in the table in article A.

### **F. Bank shares**

Four hundred and ninety nine shares of the Anglo-Palestine Company were located with a nominal value of PSP 499 (every share was for PSP 1) belonging to residents of enemy states, and were held with the British Custodian. In 1952 they were converted by the Israeli Custodian of Enemy Property in the Ministry of Finance into Bank Le`umi shares. Should heirs be found, the real value of the shares will be set by whoever will be in charge of implementing this Report.

## 2. The Main Findings of the Examination in Bank Hapo'alim Ltd.

The examination in Bank Hapo'alim was carried out by the auditors' office **Hertzfeld-Blattberg & Co.** Bank Hapo'alim was founded in 1921. Until the establishment of the State the volume of its activities in credit and deposits was small relatively to the activity of the other banking institutions: around 4.5% only in 1946. Its main activity was the granting of credit to the labor settlements and Histadrut enterprises, but due to the need to sell shares and increase its equity, the Bank had an important connection with the Jews of the dispersions. In the course of the 1950s the workers' loan and saving funds were merged with the Bank. In 1969 the Bank purchased 75% of the ownership of the Japhet Bank Ltd. The Japhet Bank was founded in 1933 by a Jewish banker from Germany, Jacob Japhet, and served an urban population, including many immigrants from Germany. In 1969 the Japhet Bank (which later changed its name to the America-Israel Bank Ltd.) had six branches. In 1999 the business of this bank was fully integrated with Bank Hapo'alim Ltd. In 1971 Bank Hapo'alim completed the purchase of Bank Halva'ah Vekhisachon Jaffa-Tel-Aviv, that included many credit institutions and 42 branches.

The auditors faced numerous problems in the course of their examination. In the course of the Bank integrating its archives into two only - an activity completed in June 2001 - many old files that had been in the branch archives were destroyed, and much valuable material was lost. The data regarding many financial movements were not kept, and the contact with many of those who had been accountholders in the 1930s and 1940s vanished. The examination received help from veteran employees of the Bank, who had retired, and external bodies such as the Administrator-General.

According to the decision of the Committee, in cases in which the accountholders or their heirs will not be found the accounts will be reappraised according to two reappraisal periods: (a) from the beginning of the reappraisal as defined above, until May 14, 1948 - an annual interest of 3%; (b) as of May 15, 1948 until September 30, 2004 - linkage to a known index (the August 2004 index) with the addition of an annual interest of 3%. And this is the essence of the findings:

Type of file	Number of accounts	Sums that have not yet been returned, reappraised for September 30, 2004 in NIS				Total
		Under the responsibility of the bank	Under the responsibility of the State of Israel, resulting from property held with:			
			The British Custodian of Enemy Property*	The Israeli Custodian of Enemy Property	The Administrator-General	
Accounts	84	81,901***	247,887	543,327	4,984	<b>878,099</b>
Securities	-	-	-	-	-	-
Accounts not attributable**	13					<b>536,270</b>
<b>Total</b>	<b>97</b>	<b>81,901</b>	<b>247,887</b>	<b>543,327</b>	<b>4,984</b>	<b>1,414,369*</b>
		<b>Total responsibility of the State of Israel: 796,198</b>				

- This sum is the total of all the sums, both those that are attributable and those that are not attributable.

\*\* Balances that were blocked upon the instructions of the British Custodian of Enemy property, and it is unknown whether they were handed over, in later periods, to the British Custodian of Enemy Property, or to the State of Israel, or remained in the Bank, or were released to the accountholders or their heirs.

\*\*\* This sum is made up of interest and linkage for funds in 6 accounts that were blocked in the bank, and were released to the accountholders and/or the heirs.

#### **Comments regarding the table**

The table does not include a reappraised sum of NIS 95,818.

- (1) The sum emanates from funds in four accounts that were returned to the Bank by the Israeli Custodian of Enemy Property for customers or heirs, without additional information.
- (2) In these files it is reasonable to assume that the Bank transferred the money to those who approached it.

### **Additional Findings**

#### **A. Accounts and deposits that cannot be attributed to a particular bank**

1. In the Administrator-General's archive 17 C file accounts were located, that with a high level of probability belong to Holocaust victims, but it is not possible to attribute them to accounts that were run in Bank Hapo'alim and/or any other particular bank.
2. The reappraised value of these accounts and deposits is NIS 92,966.

#### **B. The bank shares**

Shares of Bank Hapo'alim Ltd. with a nominal value of PSP 8,439, belonging to residents of enemy states with whom there is no contact to the present day, were located.

#### **C. Balances in dormant accounts that were erased in 1980**

1. The Bank erased credit balances in dormant accounts without movement, including *inter alia*. Accounts with regards to which there is a likelihood that their owners are Holocaust victims. The balances were for December 31, 1979.
2. After a thorough examination of the Bank, around 293 unidentified accounts, regarding which there is, in the opinion of the office, a probability that they belong to Holocaust victims, were located.
3. The reappraised value of these accounts is NIS 2,961,203.

### **3. The Main Findings of the Examination at Bank Hamizrahi Hame`uhad Ltd.**

The auditors' office **Caspi & Caspi** examined Bank Hamizrahi Hame`uhad Ltd. Bank Hamizrahi Ltd. was founded in 1923 by the World Center of Hamizrahi. The Hapo`el Hamizrahi Bank Ltd. was founded in 1928, by the Torah and Labor Movement. In 1969 these two banks were merged and turned into Bank Hamizrahi Hame`uhad Ltd. it should be noted that in the process of computerizing the Bank in 1974, the customer cards were registered in the computer as if this were the day on which the account was opened, and therefore historic data of importance was lost, without any ability to retrace them.

The examination in the bank was intended to find the names of the Bank's customers who might have perished in the Holocaust, but with a varying degree of probability for each customer. These are the sources of information that served the examination team: the books of account cards of the Bank's customers from 1936 to 1974; cards with signature samples of the Bank's customers, at the time that they opened their accounts, as of 1930; the books of Bank Hamizrahi's shareholders for the years 1925 to 1977; the reports of Bank Hapo`el Hamizrahi to the Companies Registrar; the financial reports of Bank Hamizrahi and Bank Hapo`el Hamizrahi; the minutes of the meeting of the Bank Hamizrahi management as of 1924; computer files and computerized reports of the accounts of the Bank's customers; correspondence and reports that were kept in the Bank's archive; conversations with senior and retired personnel, as well as work tours in the branches; external sources such as the Companies Registrar, the Religious Zionist Archive, libraries and archives, the Bank of Israel, the offices of the Administrator-General, and the auditor of Bank Hamizrahi.

No securities deposits were found in Bank Hamizrahi Hame`uhad, no old dormant safe deposit boxes were found in it, and no report of the Bank on the closing of dormant accounts was found.

In the minutes of the Bank's management, and correspondence of the Bank's management with the management of the Anglo-Palestine Bank in the years 1939-40, the Bank's management went to the trouble of mentioning separately accountholders from abroad "where the depositors are unable to demand their deposits because they are abroad, or where it is not to be presumed that they will demand them for other reasons".

The Bank's management also emphasized, in part of the documents, that the place of residence of these depositors were conquered countries such as Russia and Poland.

According to the decision of the Advisory Committee, the accounts will be reappraised in cases in which the accountholders or their heirs will not be found, on the basis of two reappraisal periods: (a) from the time of the beginning of the reappraisal as defined above, to May 14, 1948 - an annual interest of 3%; (b) From May 15, 1948 until September 30, 2004 - linkage to a known index (the index of August 2004), with the addition of an annual interest of 3%. This is the essence of the findings:

Type of file	Number of accounts	Sums that have not yet been returned, reappraised for September 30, 2004 in NIS				Total
		Under the responsibility of the bank	Under the responsibility of the State of Israel, resulting from property held with:			
			The British Custodian of Enemy Property*	The Israeli Custodian of Enemy Property	The Administrator-General	
Accounts	101	50,983	143,925	385,802	92,199	<b>672,909</b>
Accounts not attributable*	254		4,299			<b>4,299</b>
Accounts found in the Central Zionist Archive**	11	1,723,705	-	-	-	<b>1,723,705</b>
Accounts found in the State Archive***	17	-	204,109	-	-	<b>204,109</b>
<b>Total</b>	<b>383</b>	<b>1,774,688</b>	<b>352,333</b>	<b>385,802</b>	<b>92,199</b>	<b>2,605,022</b>
			<b>Total responsibility of the State of Israel: 830,334</b>			
Bank shareholders	922	-		-		-
Signature sample cards	155	-		-		-

\* See comment B below.

\*\* See comment C below.

\*\*\* See comment D below.

### Comments regarding the table

(a) In part of the files that were reappraised missing financial movements were completed in accordance with set rules. These files were marked in the computer system as 'files that were reappraised on the basis of partial information'.

(b) The sums that appear on the line 'accounts not attributable' were not included in the Bank's liability, since they are included among the accounts that underwent one of the following courses:

- (1) They were handed over to the British Custodian of Enemy Property;
- (2) They were handed over to the Israeli Custodian of Enemy property and from him to the Administrator-General of the State of Israel;
- (3) They were released to the accountholders or their heirs;
- (4) They remained in the Bank as accounts without movement, or accounts that were eroded.

(c) The sums that appear on the line 'accounts found in the Central Zionist Archive' - Within the framework of correspondence from the years 1939 and 1940 between the Bank and the management of the Anglo-Palestine Bank, and the Controller of the Banks, a list of accounts was found regarding which there is additional information in the Central Zionist Archive, and from which it may be understood, that there is a likelihood that these accounts remained in the Bank. On this issue a dispute emerged with the Bank, and therefore the financial debt of NIS 1,723,705, that appears in the table as being the responsibility of the Bank, is also the subject of dispute between the Committee and the Bank, and therefore in the opinion of the Bank, the question emerges whether it is, indeed, the responsibility of the Bank.

(d) The accounts found in the state Archive – We are speaking of a list of accounts that was found as part of lists that were prepared within the framework of the Agreement between the Government of Great Britain and the Government of Israel in 1950. These accounts were registered in the accounts of the British Custodian of Enemy Property.

### **Current accounts**

1. The auditors located 254 current account cards without any supporting documents that were defined as 'single balance' accounts. These accounts cannot be reappraised.
2. The files of the British Custodian of Enemy Property: The auditors located 82 accounts that were reported, and were handed over to the British Custodian in the years 1939-48.
3. The State Archive: In the State Archive 17 current accounts were found that on the face of it were reported to the British Custodian of Enemy Property. There is a discrepancy between these accounts and the records and documents that were handed over to Israel in the 1950s.
4. The Zionist Archive: in the Zionist Archive a list of 11 owners of current accounts and deposits from enemy countries, for which supporting documents were found, and evidence that the Bank's management know that the accountholders are in enemy states, and that they will be unable to demand their money from the Bank, and that it is likely that the Bank will not be required to pay them their money.

Details of files that were reappraised in the table:

- A. Signature cards: 155 files that include relevant accounts for examination, but no financial information was located in their case. For these accounts files were opened in the computer system, but they were not reappraised.
- B. The Bank's shares: 922 files of the Bank's shares, that belong to residents of enemy states were opened, of which 136 files are for payments on account of shares that were not issued.

#### **4. The Main Findings of the Examination at the Mercantile Discount Bank Ltd.**

The examination in the Mercantile Discount Bank Ltd. was carried out by the auditors' office of **Zohar, Zohar & Co.** The previous incarnation of this bank was Barclays Discount Bank Ltd, as of 1972, when the Discount Bank purchased half of the shares of the Israeli branch of Barclays Bank. As the successor of Barclays Bank, that had operated in Palestine throughout the years of the British Mandate, and had been the largest and strongest foreign bank in that period, the Mercantile Discount Bank was examined in order to locate deposits that had been deposited in it before World War II, and that were not withdrawn.

One should note several additional incarnations of this Bank. Upon the British conquest of Palestine in 1917, a subsidiary of the British Barclays Bank, the Colonial Bank, served as the main bank of the Mandatory Government in the country. A year later the Colonial Bank purchased most of the shares of the Anglo-Egyptian Bank. In 1924 the Colonial Bank changed its name to Barclays Bank Dominion, Colonial and Overseas. Upon the end of the British Mandate the main branch of the Bank moved to Cyprus, where it operated until 1960. Then the chief management of the Israeli branch of the Bank moved to Tel-Aviv, and its name was changed to Barclays Bank D.C.O. In 1968 Barclays purchased the branches of the Feuchtwanger Bank (founded in 1934) and the Credit Bank (founded in 1924), both of which had gone bankrupt. In 1971 the Bank's name was changed first to Barclays Bank International, and later to Barclays Bank P.L.C.

Discount Bank purchased the Mercantile Bank of Palestine (founded in 1924) and the Israeli branch of the Ottoman Bank, and merged them under the name 'The Mercantile Bank of Israel Ltd.', that operated as a subsidiary of the Discount Bank. As stated above, in 1972 the Discount Bank purchased half the shares of the Israeli branch of Barclays Bank, and the 'Barclays Discount Bank Ltd.' was founded, owned in equal shares by the international Barclays group and the Israel Discount Bank. In 1993 Discount Bank purchased the shares held by the international Barclays, and the Bank's name was changed to 'Mercantile Discount Bank Ltd.'. In 1997 the 'Israel Mercantile Bank Ltd.' was merged with it, and started to operate as its subsidiary.

In 1939 the British Mandatory Government instructed all the banks in the country to hand over to the British Custodian of Enemy Property the list of the accounts belonging to residents of enemy states. The auditors checked, and could not find such a list, neither in the bank itself, nor with the Administrator-General. Therefore, the examination concentrated in the Bank's branches and its archives; in various general archives in the country and abroad (such as the Zionist Archive, the State Archive, the archive of Barclays Bank in Great Britain and the British Public Record Office, the Bank of Israel, and the Administrator-General), and conversations were held with office holders in the Bank. In their examination the auditors encountered many problems, some of them similar to those encountered in the rest of the banks (the destruction of old material, fires and floods in branches that destroyed the records, the opening of balances on the date on which the Bank was computerized - in this Bank in 1971), some unique to this bank, that had been in the past part of a British bank. Among the unique problems what is especially noteworthy is the information that the material concerning the period before 1971 was transferred to Britain. Also in the examination in the Barclays

Bank archive in Manchester an audit was found that indicates that basic documents were not kept. In addition, the examination also brought up the fact that part of the dormant accounts were in Arab towns, or belonged to Arab customers.

The examiners examined around 3,400 files connected with the former Barclays Bank Ltd., and from them it analyzed the files of accounts in which there had been no movement for ten years. In the course of the examination 2,350 lists of dormant files came into the team's hands: 959 from the Administrator-General, and 1,400 from the Bank Management. From these the sums in 448 files were analyzed and reappraised, most of them on the basis of full information, and the remainder on the basis of incomplete information.

In accordance with the decision of the Advisory Committee, the accounts in cases in which the accountholders or their heirs will not be found\* will be reappraised according to two reappraisal period: (a) From the beginning of the reappraisal, as defined above, until May 14, 1948 - annual interest of 3%; (b) As of May 15, 1948 until September 30 2004 - linkage to a known index (the index of August 2004) with the addition of an annual interest of 3%. This is a summary of the findings:

Type of file	Number of accounts	Reappraised sums that have not yet been returned, NIS				Total
		Under the responsibility of the bank	Under the responsibility of the State of Israel, resulting from property held with:			
			The British Custodian of Enemy Property	The Israeli Custodian of Enemy Property	The Administrator-General	
Accounts	406	-	14,871,518	10,429,467		25,300,985
Securities	27		724,749	1,139,705	5,629	1,870,083
Accounts not attributable	15	-				11,275
<b>Total</b>	<b>448</b>	<b>-</b>	<b>15,596,267</b>	<b>11,569,172</b>	<b>5,629</b>	<b>27,182,343**</b>
<b>Total responsibility of the State of Israel: 27,171,068</b>						

\* The reappraisal in cases in which accountholders or their heirs will be found is presented in an appendix to this Report

\*\* This sum is the total of all the sums, both those that are attributable and those that are not attributable.

#### Comments regarding the table

(a) The table does not include a reappraised sum of NIS 32,450,390 that emanates from funds that were returned to the Bank by the Israeli Custodian of Enemy Property for customers or heirs, regarding whom there is no additional information. It is not known whether the sums that were reappraised as stated remained in the Bank or were nevertheless returned at some stage to the accountholders, and no record remains about it.

(b) The sums that appear on the column 'the British Custodian of Enemy Property' include a sum of NIS 876,685 and NIS 3,168, that relate to accounts and securities, accordingly, that were held in the Bank in the period that preceded their transfer to the British Custodian of Enemy Property. These sums are not under the responsibility of the Bank, according to the instructions of the Parliamentary Committee of Inquiry.



(c) In part of the files that were reappraised, missing financial movements were completed according to set rules. These files were marked in the computer system as 'files that were reappraised on the basis of partial information'.

(d) The sums that appear on the line 'accounts that are not attributable' include 'single balance' accounts that were included in the lists of accounts without movement, which appeared, within the framework of the audit, only once in the Bank reports.

The examiners tried to locate all the accounts in the Bank whose owners, with a greater or lesser degree of probability, were Holocaust victims. In these are included several types that do not appear in the table:

**A. Current accounts without movement of funds**

1,966 relevant current accounts for examination were located, but no information was located regarding their balance, or the existing financial information is not sufficient in order to reappraise them. For these accounts files were opened in the computer system, but they were not reappraised.

**B. Safe deposit boxes**

32 safe deposit boxes of two types were located: (1) safe deposit boxes that were broken into by the internal auditing department, and are still in the hands of the Bank; (2) safe deposit boxes that were broken into by the internal auditing department of the Bank, and their content was transferred to the Administrator-General.

**C. Files and accounts of associations and banks**

According to the instructions, files or accounts of associations and banks were examined only if there is in the file or the account the name of a person that might be included on the list. Other files, the name of whose owners is an association only, were not examined.

## **5. The Main Findings of the Examination at the Israel Discount Bank Ltd.**

The examination at the Israel Discount Bank Ltd. was conducted by the auditors' office of **Sharoni-Shefler & Co.** The office examined the activity of the bank in dealing with the accounts of foreign residents, who were during World War II in countries conquered by Nazi Germany. The examination included talks with employees and holders of positions in the past and present, a search for material in the branches and the cellars serving the Bank, an examination of the Bank's reports to the Administrator-General regarding dormant accounts, the examination of the content of safe deposit boxes, whose owners have not been in contact with them for a very long time, and an examination of various lists that could include information belonging to the subject of the examination.

The Discount Bank started its activity in 1935 from a single branch in Tel-Aviv. In the course of 1968 it purchased all the branches of the Holland Union Bank in Tel-Aviv and in Haifa. That bank had started to operate in the country in 1937.

In the examination of the auditors in the Bank no material was found relating to the management of the Bank's accounts in the years 1935-55, from which it was possible to derive evidence for the existence of financial balances of persons who had perished in the Holocaust. Like the other banks in Palestine, the Bank was required after the outbreak of World War II to hand over to the British Custodian of Enemy Property assets belonging to residents of European states that were allies of Nazi Germany, as well as of the residents of states conquered by it. Records that were preserved and found by the examiners bear witness to a significant part of the contact that the Bank had with the British Custodian of Enemy Property. An analysis of the material and crosschecking it with other information that is mentioned in several minutes of meetings of the Bank's management in 1940, and the combination of the results of the analysis with information received from the Administrator-General regarding the activity of the British Custodian, enabled the gathering of information on 126 cases. It is reasonable to assume, on the basis of the information found, that the examination covered the main population of accountholders in the Discount Bank connected with the examination.

In order to locate the shareholders of the Bank who were European residents, and in all probability perished in the Holocaust, the auditors office accurately retraced the movements in the Bank's capital since its foundation (in 1935), and the sale of the Bank's shares from 1935 to 1943. In the course of the retracing it was found that part of the shareholders who were located, also had deposits in the Bank.

The examination outside Discount Bank included a survey and collection of data in public archives, the Bank of Israel archive, approaches to various bodies and organizations (including the Association of Immigrants from Greece and the community of Saloniki in Greece, since the founder of the Bank was Leon Recanati from Saloniki, and the source of a large part of the funds deposited in the Bank came from deposits made by Jews who were residents of Greece), an examination of approaches by the public to the Committee, following ads in the press, and the files in the possession of the Administrator-General. The examination in the public archives, such as the State Archive, the Central Zionist Archive,

and the Bank of Israel archive, was designed to locate circulars and instructions by government factors, such as the inspection of the banks, and the inspection of foreign currency, both in the Mandatory period and after the establishment of the State, regarding the obligation of the banks to report about the deposits by foreign residents, and dormant accounts in the bank, as well as defined reports of the Discount Bank regarding these deposits that were handed over to the government factors mentioned.

The data regarding the cases that were located, were documented by means of a computerized application according to a method and in the detail decided together by the auditors offices examining the banks, and with the approval of the Committee. The financial balances held by the Bank until the application of the 'Trade With the Enemy Ordinance' that were handed over to the British Custodian of Enemy Property, by him to the Israeli Custodian of Enemy Property, and by him to the Administrator-General, were reappraised in accordance with the principles laid down by the Committee.

The documentation was based on information that was located in the Bank and information that was preserved in files, whose origin was in the activity of the British Custodian of Enemy Property. After the establishment of the State these files were dealt with by the Israeli Custodian of Enemy Property, and the Administrator-General. *Inter alia*, the work also relied on the specifications prepared by the Custodian of Enemy Property for the purpose of settling accounts between the State of Israel and the British Mandatory Government, that included the sums confiscated by the British Mandatory Government from the various banks, institutions and bodies in Palestine. The information in the files was recorded and typed out for the computerized application, that recorded, as far as possible, the details of the property owner, and the financial movements. Details on the financial movements that emerged from the material that was located in the bank, were of course recorded, as well and movements of funds as reflected in the documents that were found in the file, whose source was the British Custodian of Enemy Property. Additional information, that could not be reached by means of the material in the file, whose source was the British Custodian of Enemy Property, was primarily the commissions charged by the bank before he had transferred the money to the British Custodian, or information that points to the time gap between the date on which the account of those consider an enemy was debited, and the date on which the money was handed over to the British Custodian.

The financial volume of the liability of the Discount Bank, in accordance with the principles decided by the Committee, due to the holding of the financial balances without the payment of interest, or compensation for the loss of the value of the money until it was handed over to the British Custodian, after the deduction of commissions, amounts to NIS 29,000. The financial volume of the liability of the British Custodian by means of the State of Israel amounts to NIS 3.6 million. The liability of the Israeli Custodian of Enemy Property and the Administrator-General by means of the State of Israel is around NIS 2.08 million - and therefore the total liability of the State of Israel amounts to NIS 5.75 million. Funds that were returned to their owners, or anyone on their behalf in the course of the period, were taken into account.

The value of the accounts that were located in the Discount Bank, whose reappraised value was calculated in accordance with the principles set by the Committee, amounts to around NIS 5.97 million. The results of the examination regarding accounts, whose origin is in the Discount Bank and the Holland Union Bank were analyzed, and their essence is brought below.

In accordance with the decision of the Advisory Committee, the accounts in cases in which the accountholders or their heirs\* will not be found, will be reappraised according to two period of reappraisal: (a) from the period of the beginning of the reappraisal as defined above, until May 14, 1948 - an annual interest rate of 3%; (b) from May 15, 1948 until September 30, 2004 - linkage to a known index (the August 2004 index) with the addition of an annual interest rate of 3%. This is a summary of the findings:

Type of file	Number of accounts	Reappraised sums that have not yet been returned, NIS				Total
		Under the responsibility of the bank	Under the responsibility of the State of Israel, resulting from property held with:			
			The British Custodian of Enemy Property	The Israeli Custodian of Enemy Property	The Administrator-General	
Accounts	110	29,177	3,062,259	1,975,297	11,545	<b>5,078,278</b>
Securities	11		597,529	70,503	30,871	<b>698,903</b>
Accounts not attributable	5	-	-	-	-	<b>193,573</b>
<b>Total</b>	<b>126</b>	<b>29,177</b>	<b>3,659,788</b>	<b>2,045,800</b>	<b>42,416</b>	<b>5,970,754**</b>
<b>Total responsibility of the State of Israel: 5,748,004</b>						

\* The reappraisal in cases in which accountholders or their heirs will be found is brought in an appendix to this Report.

\*\* This sum is the total of all the sum, both those that are attributable and those that are not attributable.

#### Comments regarding the table

(a) The balance includes sums, amounting to NIS 78,857, that were held in the Bank in the period that preceded their transfer to the British Custodian of Enemy Property, and according to the instructions of the Committee the whole debt will be under the responsibility of the State of Israel.

(b) In some of the files that were reappraised, missing financial movements were completed on the basis of rules decided by the Committee. These files were marked in the computer system as 'files that were reappraised on the basis of partial information'.

(c) The sums that appear on the line 'accounts that are not attributable' include accounts whose course was one of the following: (1) they were handed over to the British Custodian of Enemy Property; (2) they were handed over to the Israeli Custodian of Enemy Property and by him to the Administrator-General of the State of Israel; (3) they were released to the accountholders or their heirs; (4) they remained in the Bank as accounts without movement, or accounts that were eroded.

#### A. Current accounts without financial movement

The examiners located 25 current accounts that are connected to the examination, but no information was found regarding their balance, or the existing financial information is

insufficient for their reappraised. For these accounts files were opened in the computer system, but they were not reappraised.

**B. Deposits of securities regarding which there are no financial movements**

The examiners located deposits of securities that are connected to the examination, which *inter alia* include bonds and shares of domestic and foreign companies. The total nominal value these securities in the various currencies: PSP 855.34. Files were open for them in the computer system, but they were not reappraised.

**C. The Bank's shares**

The examiners located 4,103 shares of 18 shareholders with a nominal value of PSP 4,103, that belong to residents of enemy states, and were held by the British Custodian of Enemy Property. According to the list of those present in general meetings, or on the forms signed by the shareholders, the examiners reached the conclusion that part of the shareholders did not perish in the Holocaust. In the name of 11 out of the 18 shareholders files were held with the British Custodian of Enemy property, and for three of these estate files were held with the Administrator-General.

**D. Safe deposit boxes**

The examiners examined safe deposit boxes whose owners did not have contact with them for a long period of time. No safe deposit boxes were found, whose content is relevant for the examination.

**E. Files and accounts of associations and banks**

According to the instructions of the Committee, an account file was examined, the name of whose owner is that of an association, only if there is in it, or in the account, the name of a claimant, who might be included on the list. Other files registered on the name associations were not examined.

**F. Files that were not examined**

44 files of the Custodian of Enemy Property (C files) and estate files of the Administrator-General (E files) that are connected to the examination, were not examined, to the face that only partial information was located in the Bank. The files were reappraised in accordance with the rules laid down by the Committee, but their final attribution was not decided.

## **PART THREE: RECOMMENDATIONS OF THE ADVISORY COMMITTEE**

### **1. Recommendations of the Majority**

The Advisory Committee recommends that the Parliamentary Committee of Inquiry adopt the following decisions:

1. To adopt this report and table it in the Knesset as soon as possible.
2. To recommend that Knesset approve the principles laid down at the base of the report, in other words: to determine the liability of the banks towards those entitled, on the basis of the principle of the body responsible for payment to those entitled (the State or the banks), and the period or responsibility; reappraisal and linkage to the consumers price index, with the addition of 4% interest for the period to be determined.
3. To refer to the Speaker of the Knesset for safekeeping, the information that was gathered during the examination in the Banks and with the Administrator-General, and on the basis of which data the Report of the Parliamentary Committee of Inquiry was written.
4. To recommend to the Knesset to assign to a public body that will be set up - a quasi judicial framework - the task of implementing the recommendations. This sort of body will enable a rapid deliberation of each case on its merits, and will prevent cumbersome procedures. Alternatively, to advance the process of amending the Administrator-General Law of 1978, and the enactment of the Administrator-General (Release of assets of those who perished in the Holocaust) Bill (2004), or any other means that will enable the body that will be decided upon, to constitute the suitable framework for implementing the recommendations.
5. It is recommended that the names of all the accountholders, as emerged in the examinations that were carried out in the various banks, will be published on the Internet and any other means of communication as may be decided.

## 2. Recommendations of Ms. Smadar Elhanani, and of Mr. Freddy Wieder

### A. Smadar Elhanani, Economic Advisor of the Knesset Finance Committee

“Every Account has a Name”

1. The establishment of the Parliamentary Committee of Inquiry was designed, first and foremost, in order to return to the heirs of the Holocaust victims funds that remained in the banks and with the Administrator-General.

In the first stage the names of all the accountholders that were found by the auditors will be published. The auditors, who were the ‘long arm’ of the Committee of Inquiry, worked rigorously, in an unconventional and extensive manner, and discovered 5,903 accounts that could be accounts of Holocaust victims. The accounts are in the banks and with the Administrator-General.

The lists will be published as follows: a separate list for every bank in which money was originally deposited, by name, city and country, and whether it is in the possession of the Administrator-General. The lists will be published both in Latin letters and Hebrew letters, as they appear in the documents.

The lists will also include the accountholders who escaped or left the enemy state before the date on which it was conquered, for fear of their lives. Accountholders, whose last address was a state that is not an enemy state, but it is not clear whether they escaped to it from an enemy state, shall also be included. Accounts of associations will also be included, if there is a likelihood that there will be a claimant, who is included in the list. The owners of dormant accounts in which there was no activity after 1933, will also be included. It should be emphasized that the lists to be published will also include the names of accountholders, who received partial or full return, and there is a high level of probability that on the date on which the funds were returned, there was no reappraisal for that date.

2. The Report will include the list of all the countries that fit the definition of enemy states, and states that were influenced by the War (according to the British Custodian and *Yad Vashem*). It should be ensured that the list of countries will correspond with countries that are to be included in the Administrator-General (Release of assets of those who perished in the Holocaust) Bill.

3. It is important to emphasize that the list of names will constitute the main part of the Report of the Committee of Inquiry. The Report will be published on the Knesset website, in the press, in the banks, with the Administrator-General, and in any additional manner as seen fit by the Committee. The Report of the Committee will be published abroad as well, and in the foreign media, so that the heirs living abroad will be able to act in order to return their property.

4. A period of time will be determined – two or three years – in which an effort will be made to locate accountholders and/or their heirs, and to return their property to them, both by the banks and by the Administrator-General.
5. The Committee will recommend that the Administrator-General will act soon and in accordance with the proposed bill, The Administrator-General (Release of assets of those who perished in the Holocaust) Bill.
6. Every bank will appoint one named position holder, who will be responsible for all the approaches made to him on this issue. The bank managements will update all the branches as to the identity of the position holder. The Administrator-General will appoint a named position holder for enhanced treatment of all the approaches that will reach him.
7. Accountholders and/or heirs, who will prove their entitlement, will receive their money, reappraised in accordance with the increase in the index from the day on which contact with the bank was broken, and an addition of 4% interest per annum. Responsibility for the payment will be with whoever holds the money – the banks and/or the Administrator-General, and in accordance with the length of time that it was held with each of them. Therefore, in my opinion, there is no need to reappraise all the sums that are liable to be paid.
8. There is a list of shareholders of the Jewish Colonial Trust. This list ought to be published anew, and an attempt should be made to locate the owners and return the shares to them, or their heirs. It is very likely that part of them are Holocaust victims.
9. After the end of the period mentioned above, or after an additional period, all the assets will be handed over, like any other abandoned asset, to the Administrator-General, in accordance with the reappraisal rules that will be customary at that time.
10. The auditors will ensure that all the material that was gathered by them will be kept in a manner that will enable the location of information by claimants of the accounts, and in future – by researchers and students.



## **B. Freddy Wieder, Director General of the Association of Banks in Israel**

The main operative conclusions and recommendations in the Report derive from the instructions of the Advisory Committee to the teams of examiners (pp. 20-24 in the Report). Since some of the central instructions are unacceptable to me, some of the main recommendations are not acceptable to me either.

The reservations below relate, as stated, to the instructions of the Advisory Committee, and do not exhaust the reservations regarding matters that have to do specifically with this or that bank.

### **1. The assumption of non-payment (article B in the list of instructions)**

The instruction in this article relates to cases in which funds were returned by the British Custodian of Enemy Property, or by the Israeli Custodian, or by the Administrator-General, for the accountholders or their heirs, and no physical proof was found in the bank that the funds were actually paid to them. According to the instruction, these sums must be included in a separate article – though not within the framework of the banks' liability – reappraised in accordance with a method that was determined. It should be emphasized that in the situation described above, the claim is that the funds were actually paid: in the course of the usual work, when the payment was made and the account was closed, the bank is under an obligation to keep the documents for a period that is not above a certain number of years. Therefore, **the common case is that no documents will be found in the banks specifically in cases in which the payment was mad, and the account was closed.**

**In light of what was said above, there is no room to present reappraised sums, as if they constitute an indication or a proximity of the banks' liability. One should make do with a publication of the names of anyone for whom the case could be relevant, “and each file should be examined on its merits”** (as was stated also in the draft Report). In light of this it is also clear that there is no room for any decision regarding the “attribution” of the whole sum by the body that will implement the decisions of the Committee.

A similar approach should be adopted with regards to other cases, in which the liability of the banks is determined on the basis of the assumption that the funds did not leave their hands, even though these accounts do not appear now in the banks' books, and they are not obliged to keep documents that bear evidence to payments that were made decades ago.

### **2. Single balance (article K in the list of instructions)**

What is said in the article is not at all clear, and in fact it enables the inclusion of sums within the framework of the banks liability, on the basis of assumptions that are far reaching by nature. This assumption should be dropped, and one should make do with the fact that the relevant names will be included in a list that will be published, according to rules to be determined.

### 3. **The method of reappraisal (article F and J in the list of instruction)**

The formula for the reappraisal should be based on professional considerations: interest rates and savings terms with relevant financial tools, that prevailed in different periods – from the beginning of the reappraisal to the present. This formula should stand at the base of the calculation of the liability of the various banks that are the object of the examination. The reappraisal formula proposed for the purpose of returning funds to Holocaust victims or their heirs does not correspond with this criterion. No research was done on behalf of the Committee of Inquiry in order to determine the appropriate method of reappraisal, and it was only decided that the funds should be reappraised (when someone is found who is entitled to receive them) “according to linkage to the consumer price index in Israel for the period to be determined, with the addition of 4% compound interest”.

This formula of reappraisal diverges from what is said in article F, in which it is laid down that “all the accounts will be reappraised on the basis of the full linkage to the consumer price index in Israel, from May 15, 1948, until September 30, 2004, together with a cumulative annual interest of 3% as of the day on which the reappraisal began until September 30, 2004”.

**My position is that with regards to the reappraisal of the funds that the banks must pay one should set a reappraisal formula that is based on the economic data that is relevant for each individual period.** On this matter the Association of Banks received an opinion by Prof. Shmuel Kendel, that was also presented to the Committee. It should be noted, that the Committee can itself turn to a professional body acceptable to it, to carry out an examination of its own. It is unreasonable that such a fundamental decision should be taken not on the basis of a thorough professional examination.

Even if it decided to stick to the formula in article F as quoted above, only this formula should be included in the Committee’s Report, since it is closer to the options that existed in practice in the financial market in Israel, in the various periods. The formula in article J has no economic basis.

Subject to all that is said above, it is acceptable to me that one should take efficient measures to disseminate the information to the public (after the question of banking secrecy has been examined – if it is relevant) and all the infrastructures necessary to deal efficiently with approaches from the public, are laid.