

**NEW YORK STATE BANKING DEPARTMENT  
NEW YORK, NEW YORK**

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In the Matter of

ISRAEL DISCOUNT BANK OF NEW YORK  
New York, New York

ORDER OF ASSESSMENT OF  
CIVIL MONETARY PENALTY  
UPON CONSENT

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WHEREAS, ISRAEL DISCOUNT BANK OF NEW YORK ("IDBNY" or "Bank") is a New York State-chartered, insured, nonmember bank having its principal place of business at 511 Fifth Avenue, New York, New York, and is subject to New York Banking Law and the related rules and regulations issued thereunder;

WHEREAS, in the course of an examination conducted by the New York State Banking Department ("Banking Department"), it was discovered that the Bank had failed to conduct its operations in a safe and sound manner and had failed to comply with numerous federal statutes and regulations relating to its obligations under the Bank Secrecy Act and the rules and regulations of the United States Department of the Treasury ("Treasury Department"), 31 U.S.C. §§ 5311-5322 and 31 C.F.R. Part 103, the regulations of the Federal Deposit Insurance Corporation, 12 C.F.R. Parts 326 and 353 (collectively, the "BSA"), and state law, New York State Banking Law ("NYBL") §672 (1), and a regulation of the Banking Department, 3 N.Y.C.R.R. Part 300, among them—

- 1) Operating the Bank with inadequate internal controls and deficient policies and procedures relating to the BSA; and
- 2) Failing to maintain accurate books and records, in violation of NYBL § 672 (1).

WHEREAS, pursuant to NYBL § 44, the Superintendent is authorized to impose civil monetary penalties upon a banking institution for failure to comply with any provision of the NYBL;

WHEREAS, based on the Bank's failure, among other things, to comply with federal laws, rules and regulations requiring the maintenance of adequate anti-money laundering programs and controls, as well as state law requiring the maintenance of accurate books and records, the Superintendent has determined that the Bank has failed to conduct its business in a safe and sound manner in accordance with NYBL § 10;

WHEREAS, in the event the Department accepts this ORDER OF ASSESSMENT OF CIVIL MONETARY PENALTY UPON CONSENT, it is agreed that no action will be taken by the Department to initiate any additional enforcement actions against IDBNY, for the misconduct set forth in the Department's 2005 report of examination;

WHEREAS, before the filing of any notices, or the taking of any testimony or adjudication of, or finding on, any issues of fact or law herein, and without this Order constituting an admission or denial by the Bank of any allegation made or implied by the Banking Department, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for a protracted or extended hearing or testimony, the Bank has consented to the assessment of a civil monetary penalty of \$ 6,000,000 for engaging in the foregoing state violations;

WHEREAS, on 10/17/06, the Board of Directors of the Bank adopted a resolution:

- 1 authorizing and directing Mr. Reuven Spiegel, President and Chief Executive Officer of IDBNY, to enter into this Order on behalf of the Bank;
2. waiving any and all rights that the Bank may have pursuant to NYBL § 44:
  - a. to the issuance of a notice of charges and a hearing on any matter set forth in this Order;
  - b. to a hearing for the purpose of taking evidence of any matters set forth in this Order;


- c. to judicial review of this Order; and
- d. to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, pursuant to the above findings of the Superintendent and the waiver of rights of the Bank, as set forth above,


IT IS HEREBY ORDERED, that IDBNY pay to the New York State Banking Department a civil monetary penalty in the amount of \$ 6,000,000. The monetary penalty shall be remitted in full at the time of the execution of this Order pursuant to transfer instructions received from the Banking Department.

By Order of the Superintendent of Banks, effective this 20<sup>th</sup> day of October, 2006.

Date 10/20/06

By:   
Manuel Kursky  
Deputy Superintendent of Banks  
New York State Banking Department

Date

By:   
Reuven Spiegel  
Israel Discount Bank of New York  
President and Chief Executive Officer