



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 22^e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF
BANK LEUMI LE ISRAEL B.M.**

- and -

**IN THE MATTER OF A SETTLEMENT AGREEMENT
BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION
and BANK LEUMI LE ISRAEL B.M.**

**ORDER
(Section 127)**

WHEREAS on March 19, 2014, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing that it proposed to hold a hearing to consider whether it is in the public interest to make an order pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) approving a settlement agreement in respect of Bank Leumi Le Israel B.M. (“Bank Leumi” or the “Respondent”);

AND WHEREAS on March 19, 2014, Staff of the Commission (“Staff”) filed a Statement of Allegations with the Commission;

AND WHEREAS the Respondent entered into a Settlement Agreement dated March 18, 2014 in relation to the matters set out in the Statement of Allegations;

AND WHEREAS the Commission issued a Notice from the Secretary’s Office dated March 20, 2014, announcing that it proposed to consider the Settlement Agreement;

AND UPON reviewing the Settlement Agreement, reproduced and attached as Schedule “A” to this Order, the Notice of Hearing, the Statement of Allegations, and upon considering submissions from the Respondent through its counsel and from Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT the Settlement Agreement is approved.

DATED at Toronto this 24th day of March, 2014.

“James D. Carnwath”

James D. Carnwath, Q.C.

SCHEDULE "A"



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 22^e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF
BANK LEUMI LE ISRAEL B.M.**

- and -

**IN THE MATTER OF A SETTLEMENT AGREEMENT
BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION
and BANK LEUMI LE ISRAEL B.M.**

PART I – INTRODUCTION

1. The Ontario Securities Commission (the "Commission") will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Act"), it is in the public interest for the Commission to make certain orders in respect of Bank Leumi Le Israel B.M. (the "Respondent").

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agree to recommend settlement of the proceeding commenced by Notice of Hearing dated March 19, 2014 (the "Proceeding") against the Respondent according to the terms and conditions set out in Part VI of this Settlement Agreement (the "Settlement Agreement"). The Respondent agrees to the undertakings set out in paragraph 16 of this Settlement Agreement, based on the facts set out below.

3. For the purposes of this proceeding the Respondent agrees with the facts as set out in Part III and the conclusion in Part V of this Settlement Agreement.

PART III – AGREED FACTS

4. The Respondent is an integrated commercial bank licensed in the State of Israel to carry on a range of financial services, including banking services and services relating to securities.
5. The Respondent formerly maintained a representative office in North York, Ontario, which was registered with The Office of the Superintendent of Financial Institutions Canada (“OSFI”) as a “Foreign Bank Representative Office” (“FBRO”) pursuant to the laws of Canada.
6. The Respondent is not, and has not been, registered with the Commission to trade or advise in securities in Ontario in any capacity.
7. In 2011, with the permission and co-operation of OSFI, which supervises and regulates FBROs in Canada, the Commission and the Autorité des marchés financiers (the “AMF”) undertook an initiative to determine whether Ontario- and Quebec-based FBROs were engaged in securities-related business without registration. The results of the compliance review are summarized in OSC Staff Notice 33-736, *2011 Annual Summary Report for Dealers, Advisers and Investment Fund Managers*.
8. The compliance review and further inquiries to the Respondent revealed that, prior to making the filings necessary to rely on the international dealer exemption referred to in paragraph 10, the Respondent has opened accounts (the “Accounts”) for Ontario residents (the “Account Holders”) and engaged in trading and advising in securities in respect of the Accounts without registration or reliance on a valid exemption.
9. Upon receiving inquiries from Staff, the Respondent voluntarily took steps to bring itself into compliance with Ontario securities law. The Respondent ceased opening accounts for Ontario residents upon receiving an initial inquiry from Staff regarding its conduct.
10. Further, the Respondent undertook to rely upon the international dealer exemption contained in section 8.18 of National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“NI 31-103”) and filed the required notice with the Commission on November 21, 2011.

11. The Respondent also commenced closing the Accounts of Account Holders who did not qualify as a “permitted client”, as defined in NI 31-103. Throughout the process of the closing of the Accounts, the Respondent provided Staff with monthly updates on the status of the Accounts. As of the date of the settlement, the Respondent has closed all Accounts in the name of Account Holders who do not qualify as “permitted clients”.

12. The Respondent has fully cooperated with Staff during the investigation. The Respondent has voluntarily responded to all requests for information from Staff.

13. Neither Staff nor the Respondent is aware of harm caused to any Account Holder. Neither Staff nor the Respondent has received any complaints regarding the Accounts or the Respondent’s conduct in relation to the Accounts.

PART IV – RESPONDENT’S POSITION

14. The Respondent acted in good faith at all material times but did not turn its attention to the fact that such trading and advising could be construed as a breach of Ontario securities law or as conduct contrary to the public interest.

PART V – CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST

15. By engaging in the conduct described above, the Respondent agrees that it engaged in trading and advising activities on behalf of Ontario residents without being registered to trade in securities in circumstances where no exemptions were properly relied upon, contrary to section 25 of the Act and the public interest.

PART VI – UNDERTAKING AND TERMS OF SETTLEMENT

16. The Respondent undertakes and agrees as follows:

- (a) The Respondent agrees to make a settlement payment to the Commission by way of wire transfer in the amount of CAD\$500,000, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act;

- (b) The Respondent undertakes to continue to rely upon the international dealer exemption contained in section 8.18 of NI 31-103 or other applicable registration exemption or seek registration in Ontario in the event that the Respondent engages in registerable activities without relying upon an applicable exemption.

17. The Respondent or its legal counsel agrees to attend at the hearing before the Commission to consider the proposed settlement.

PART VI – STAFF COMMITMENT

18. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 19 below.

19. If the Commission approves this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement. In addition, if this Settlement Agreement is approved by the Commission, and the Respondent fails to comply with the terms of the Settlement Agreement, the Commission is entitled to bring any proceedings necessary to recover the amount set out in paragraph 16(a) above.

PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT

20. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for March 24, 2014 at 11:00 a.m., or on another date agreed to by Staff and the Respondent, according to the procedures set out in this Settlement Agreement and the Commission's *Rules of Procedure*.

21. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondent's conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.

22. If the Commission approves this Settlement Agreement, the Respondent agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

23. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.

24. Whether or not the Commission approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

25. If the Commission does not approve this Settlement Agreement:

- (a) this Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the settlement hearing takes place will be without prejudice to Staff and the Respondent; and
- (b) Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.

26. Both parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. Any obligations of confidentiality shall terminate upon the commencement of the public settlement hearing. If, for whatever reason, the Commission does not approve the Settlement Agreement, the terms of the Settlement Agreement remain confidential indefinitely, unless Staff and the Respondent otherwise agree or if required by law.

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

27. This agreement may be signed in one or more counterparts which, together, constitute a binding agreement.

28. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

Dated at Toronto this 18th day of March, 2014

“Margaret McNee”

Margaret McNee
Counsel for Bank Leumi Le Israel B.M.

“Tom Atkinson”

Tom Atkinson
Director, Enforcement Branch