

June 22, 2023

Mr. Matthew G. Olsen
Assistant Attorney General for National Security
Foreign Agents Registration Act (FARA) Unit
National Security Division
U.S. Department of Justice
175 N Street, NE
Constitution Square, Building 3 - Room 1.300
Washington, DC 20002

Dear Mr. Olsen:

Please accept this letter as a referral of a suspected violation by Development Corporation for Israel/Israel Bonds, which is a New York registered broker-dealer that serves as underwriter of debt securities (bonds) issued by the State of Israel. Israel Bonds is not registered as a foreign agent, despite its work on behalf of, and promoting the political interests of, the State of Israel to the American public. Democracy for the Arab World Now ([DAWN](#)) documented this information as part of its work to identify and investigate the activities of agents working on behalf of foreign governments and companies that violate human rights.

Israel Bonds as Foreign Agent

Israel Bonds appears to be a foreign agent acting on behalf of Israel, representing the public and political interests of the state to the American public. Israel Bonds, at the direction and control of the Israeli government, acts as a publicity agent for Israel; promotes the public and political interests of Israel; and disperses government-issued bonds for Israel in the United States. These are elements that constitute a “foreign agent” according to the Foreign Agent Registration Act (FARA) statute.

The Development Corporation for Israel/Israel Bonds (Israel Bonds), previously known as the American Financial and Development Corporation for Israel from 1951 to 1955, was established in the state of New York as a broker-dealer in 1955 with the sole purpose of selling bonds issued by the State of Israel to support its economic development and security. According to its [website](#),

Development Corporation for Israel/Israel Bonds ranks among Israel’s most valued economic and strategic resources, with a record of proven success spanning over 70 years. Praised for its dependability, the Bonds organization has helped build every sector of Israel’s economy.

Partnering in Israel’s success story through investment in Israel bonds is global in scope. Worldwide sales have exceeded \$48 billion since the first bonds were issued in 1951.

Proceeds from the sale of Israel bonds have played a decisive role in Israel's rapid evolution into a groundbreaking, global leader in high-tech, greentech, and biotech.

The company, headquartered in New York, is headed by Dani Naveh, an Israeli citizen who is both President and CEO and sits on the company's National Board of Directors and International Board of Directors. Mr. Naveh is a former Israeli government minister and member of Knesset (parliament).

According to media reports, candidates for the role of President & CEO of Israel Bonds are identified by the Israeli Minister of Finance. In a [report](#) by the *Jewish Journal*, part of the *South Florida Sun Sentinel* media network, Israeli Foreign Minister Avigdor Lieberman identified Mr. Naveh in 2021 to the board of directors of Israel Bonds for the role. The previous President & CEO of Israel Bonds was Mr. Israel Maimon (2016-2021). In a [report](#) by the *Jerusalem Post*, Mr. Maimon's nomination for the role came at the suggestion of Israel's Minister of Finance, Moshe Kahlon, because Mr. Kahlon wanted someone to "represent Israel":

In March 2016, his life took another turn when Finance Minister Moshe Kahlon, who knew Maimon from his tenure as government secretary, suggested recommending him to the Israel Bonds board for consideration as president & CEO. Kahlon wanted someone, Maimon recalls, "who was not only a doer, but who could proudly represent Israel. I met with him over the following days and said yes." The board subsequently approved Maimon for the position.

In 2020, Israel Bonds [requested](#) Israel's Ministry of Finance to release more bonds than originally intended, amounting to an additional \$400 million above the planned \$1.1 billion issuances for that year.

Available information suggests that Israel Bonds is acting as a foreign agent for a foreign principal – the State of Israel – but has failed to register with FARA as such. In the FARA statute, [Code § 611\(c\)\(1\) - Definitions](#), an agent of a foreign principal is defined as:

any person who acts as an agent, representative, employee, or servant, or any person who acts in any other capacity at the order, request, or under the direction or control, of a foreign principal or of a person any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign principal, and who directly or through any other person—

(i) engages within the United States in political activities for or in the interests of such foreign principal;

(ii) acts within the United States as a public relations counsel, publicity agent, information-service employee or political consultant for or in the interests of such foreign principal;

(iii) within the United States solicits, collects, disburses, or dispenses contributions, loans, money, or other things of value for or in the interest of such foreign principal.

The State of Israel provides government-issued bonds and instructs and authorizes only the Development Corporation of Israel/Israel Bonds to promote and sell the financial instruments, as acknowledged in the [prospectuses](#) published to promote and inform the public:

The accompanying prospectus, which starts on page one after the prospectus supplement, contains general terms of bonds sold by the State of Israel through Development Corporation for Israel.

The Israeli Minister of Finance also appears to select the sole candidate for the company's President and CEO, who is presented to the Board of Directors for approval.

Israel Bonds engages in political activities (i) in the interests of the foreign principal (Israel), which is [defined](#) by the statute as:

any activity that the person engaging in believes will, or that the person intends to, in any way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

By advertising, promoting, and selling Israel-issued bonds, Israel Bonds works to influence the public in the United States, in order to advance the public interest of Israel. The funds raised by the sale of the bonds go to the [general budget](#) of the State of Israel. The operating budget of the State of Israel is used for political purposes, including settlement activities in the Occupied Palestinian Territories.

The company also acts within the United States as a publicity agent (ii), [defined](#) as:

any person who engages directly or indirectly in the publication or dissemination of oral, visual, graphic, written, or pictorial information or matter of any kind, including publication by means of advertising, books, periodicals, newspapers, lectures, broadcasts, motion pictures, or otherwise.

This includes [events](#), a [speakers' bureau](#), and [advertising](#), including on social media platforms. Israel Bonds has developed a national outreach and publicity program in the United States, including chapters in many cities. Events are promoted on social media and in community event calendars (see this [example](#) from Chicago in 2022), and involve the recruitment of host committees on behalf of Israel Bonds.

In a July 2022 [interview](#) with the *Jewish News Syndicate*, Dani Naveh, the President and CEO of Israel Bonds, talked about his priorities for Israel Bonds, clearly demonstrating the role of Israel Bonds in promoting the interests of the state of Israel:

My main strategic plan for the next five years is promoting new leadership. We have such great supporters that are my age, but I think it's so important for Jewish communities and for the State of Israel to take more and more efforts to reach out to the younger population, to have more and more people connected to Israel, to the different kinds of activities of Israel Bonds.

Finally, Israel Bonds' core business is to solicit the sale of loans for Israel within the United States, which should qualify it as a foreign agent under (iii) of the definition.

The budget of Israel Bonds was [reported](#) to be \$46 million in 2010, with the position of President and CEO being an Israeli public sector job, "which comes with a spacious apartment in Manhattan, a car and driver, business class seats on flights and lodging at luxury hotels." The State of Israel covers the expenses for the promotion, sale, and distribution of the bonds, and allows Israel Bonds to deduct its operational costs, including salaries, from the income it generates by the sale of the bonds. This effectively means that the Israeli government is paying all of the expenses of Israel Bonds:

Israel will pay all charges, expenses, and fees in connection with the issuance of the bonds, the registration of the bonds under the applicable federal and state securities laws, the preparation, printing, authentication, delivery, publication, and distribution of prospectuses, newspaper prospectuses, advertising, literature, collection of subscriptions, public presentations, maintenance of complete and accurate records of all bond transactions, any payments to the fiscal agent in connection with the issuance of the bonds pursuant to any fiscal agency agreement or in conformity with its provisions, and all taxes and stamps required in connection with the sale of the bonds. (p. 30)

According to a report in [Haaretz](#), Israel Bonds

is subordinate, administratively and legally, only to the authorities in the United States. Though the State of Israel (through the accountant general at the treasury) can oversee the organization by virtue of the fact that it is Israel Bonds' only client, it has no authority over its expenditures, even though the state itself indirectly funds those outlays.

This does not alleviate the assessment of Israel Bonds as a foreign agent, as it is subsidized by - and seemingly under the control of - the foreign principal, and as the foreign agent it acts to promote the public interests of that foreign principal.

Archival research shows that the Department of Justice, at the request of the FBI, did investigate American Financial and Development Corporation for Israel (the former name of Development Corporation for Israel/Israel Bonds) in 1952 for possible violation of the FARA statute. At the time,

the Department of Justice (DOJ) [determined](#) (p. 73) that it was a foreign agent, but was exempted by the commercial exemption. The DOJ also stipulated that the status would change were the organization to engage in political activities. As currently defined by the FARA statute, the work of Israel Bonds should only be understood as political activity, including the efforts to change state legislation and the public engagement to promote the sale of the bonds by promoting Israel.

In April 1956, the matter of Israel Bonds' lack of registration as a foreign agent was once again [raised](#) (p. 6) in the DOJ, in the context of heightened military tensions in the Middle East. The case was closed at that time because it could not be discerned that an individual employee of Israel Bonds was engaged in political activity. However, the FBI maintained sources and an investigation into the activities of Israel Bonds.

Public and Political Interests of Israel, Not Entitled to Commercial Exemption

Israel Bonds acts as an agent for a foreign principal, the government of Israel; serves the political interests of the principal; and should not be entitled to a commercial exemption. This includes promoting and distributing information about the bonds and the State of Israel; hosting events and speaker tours featuring current and former Israeli government [officials](#); engaging U.S. policymakers and officials to change state legislation to enable the sale of the bonds; and [organizing trips](#) to Israel and [other countries](#) to promote Israel and Israel bonds for additional investors. A commercial exemption is not appropriate because Israel Bonds is promoting the political and public interests of the foreign principal, and the funds raised are used by the State of Israel to advance its political interests, including [projects](#) in the Occupied Palestinian Territories.

Israel Bonds' stated intention is to support the political and public interests of the foreign principal (Israel), not just its commercial interests, through the selling of government-issued bonds. According to its [website](#), Israel Bonds "ranks among Israel's most valued economic and strategic resources," while the bond program is cited by [Fitch](#) as support for its "A+" rating in 2019: "Israel benefits from high financing flexibility, having deep and liquid local markets, good access to international capital markets, an **active diaspora bond programme**, and US government guarantees in the event of market disruption" [emphasis added].

In order to increase sales of government-issued bonds, Israel Bonds [lobbied](#) state legislatures in 2003-2004 to change their laws to permit the purchase of bonds of foreign countries. [According](#) to then-President & CEO, Joshua Matza, "The legislative changes have not only increased the distribution of Israel Bonds, they have also expanded support for Israel among state legislatures." According to a [report](#) by the *Tampa Bay Times*, in 2004, Louisiana, Indiana, New Jersey, and New Mexico changed their laws at the behest of Israel Bonds, resulting in \$40 million in sales.

For each type of bond, Israel Bonds offers a [prospectus](#), detailing the financial information related to the product and presenting promotional material related to Israel. A [currently active prospectus](#) demonstrates the control by and political interests of the State of Israel:

Israel accepts responsibility for the contents of this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. Israel, having made all reasonable inquiries, confirms that this prospectus supplement and the accompanying prospectus contain all information with respect to Israel and the bonds that is material in the context of the issue and offering of the bonds, and that, to the best of Israel's knowledge and belief, there are no other facts the omission of which would make any such information materially misleading. (p. 5)

According to the [prospectus](#), Israel uses "the net proceeds from the sale of the bonds offered hereby for general purposes of the State" (p. 25).

Request for FARA Investigation

Based on this analysis and evidence, DAWN requests the FARA Unit to immediately investigate these concerns and, if it determines that Israel Bonds has violated the FARA statute, to impose criminal penalties on Israel Bonds and its President & CEO, Dani Naveh, per the terms outlined in [22 U.S.C. § 618\(a\)](#). If the alleged violations are confirmed by the FARA Unit, it would raise the question of whether Israel Bonds has potentially been in non-compliance with the law for an extended period of time.

The State of Israel has been selling bonds through its dedicated company since 1951, and Israel Bonds now takes in over \$1 billion in [sales](#) in the United States each year. In 1952, there was only a single year of activity for the DOJ to assess; there are now more than 70 years to consider the activities and role of Israel Bonds in the United States. Those activities, including public events, public outreach through media and advertising, and lobbying individual state governments appear to demonstrate that Israel Bonds carries out political activity on behalf of, acts as a publicity agent for, and serves the non-commercial public interests of, a foreign principal. Despite the 1952 DOJ decision that the commercial exemption applied, the modernization of FARA and the contemporary advisory opinions issued by the DOJ suggests that the issue of Israel Bonds' political activities deserves reconsideration. If the violation is confirmed by the FARA Unit, it would mean that Israel Bonds has been in violation of the law for decades.

We appreciate your time and consideration of this complaint and we look forward to hearing from you.

Sincerely,

Adam Shapiro
Director of Advocacy, Israel/Palestine
DAWN