Memorandum: Israel Bonds

To: State Officials, Institutional Investors, and Policymakers
From: DAWN, www.dawnmena.org
Re: Legal, Ethical, and Financial Risks of Investments in Israel Bonds
Date: January 2026

I. Introduction

This memorandum provides a structured legal and policy analysis of the risks associated with state and institutional investment in Israel Bonds. Israel Bonds function as direct loans to the Israeli government and therefore implicate investors more directly than passive exposure to secondary-market securities.[1] While such bonds have historically been presented as low-risk sovereign instruments and framed as expressions of diplomatic or political alignment, their risk profile has been materially transformed by a series of binding legal and financial developments since 2024. These include: (i) the International Court of Justice's (ICH) July 2024 advisory opinion holding that Israel's continued presence in the Occupied Palestinian Territory is unlawful and affirming third-state duties of non-recognition and non-assistance;[2] (ii) the United Nations General Assembly's (UNGA) September 2024 resolution operationalizing those duties and requiring all states to refrain from actions that sustain the unlawful situation;[3] (iii) the issuance of International Criminal Court (ICC) arrest warrants for Israel's Prime Minister and Defense Minister for war crimes, including starvation of civilians;[4] and (iv) successive sovereign credit downgrades by Moody's and Fitch, citing war-related fiscal strain, governance deterioration, and

---

[1] Development Corporation for Israel. State of Israel Bond Issuance Programme: Prospectus. Development Company for Israel (International) Limited, 1 Sept. 2025. https://israelbondsintl.com/pdf/2025Prospectus.pdf
[2] International Court of Justice. Legal Consequences Arising from the Policies and Practices of Israel in the Occupied Palestinian Territory, Including East Jerusalem (Advisory Opinion, 19 July 2024). International Court of Justice, 19 July 2024, https://www.icj-cij.org/case/186
[3] United Nations General Assembly. Advisory Opinion of the International Court of Justice on the Legal Consequences Arising from Israel's Policies and Practices in the Occupied Palestinian Territory, Including East Jerusalem, A/RES/ES-10/24 (19 Sept. 2024). United Nations Digital Library (Official Document System), 19 Sept. 2024, https://docs.un.org/en/A/RES/ES-10/24
[4] International Criminal Court. "Situation in the State of Palestine." International Criminal Court (case page noting the 21 Nov. 2024 warrants for Benjamin Netanyahu and Yoav Gallant and describing the alleged crimes, including starvation as a method of warfare), https://www.icc-cpi.int/palestine

elevated geopolitical risk.[5] Together, these developments convert Israel Bonds from politically symbolic but financially neutral instruments into securities carrying identifiable legal exposure, heightened sovereign risk, and foreseeable negative fiduciary consequences.

This memorandum is intended to assist state officials, fiduciaries, and institutional decision-makers in assessing whether continued investment in Israel Bonds remains consistent with their legal duties and governance obligations.

This memorandum demonstrates how continued or expanded investment in Israel Bonds breaches legal and fiduciary duties, and subjects investors to reputational harm. First, it examines how such investments contravene international and domestic legal obligations, including principles governing state responsibility, complicity, and duties to prevent and refrain from supporting serious violations of international law. Second, it analyzes how these investments undermine democratic legitimacy by entangling public funds and pension assets in highly contested foreign policy decisions without adequate public consent or oversight. Third, it addresses the potential exposure of states and institutions to legal and regulatory liability, including litigation risk, fiduciary challenges, and scrutiny under emerging human rights due diligence standards. Finally, it evaluates the growing financial and regulatory risks associated with Israel Bonds, including credit rating downgrades, heightened volatility, reputational harm, and increased regulatory and political pressure on public investors. Taken together, these developments establish that continued purchase, renewal, or retention of Israel Bonds violates duties of non-assistance, fiduciary loyalty, and public-law compliance. Public officials and institutional fiduciaries should suspend new investment and reassess existing holdings to ensure that public funds are not used to sustain an unlawful situation in contravention of international law obligations or expose beneficiaries and taxpayers to foreseeable legal, financial, and reputational harm.

II. Ethical and Legal Responsibility

1. Complicity in Violations of International Law

For many decades, Israel has committed clear and systematic war crimes and other grave breaches of international law in both the West Bank and Gaza. Israel's conduct in the West Bank and Gaza Strip amounts to an illegal occupation and apartheid, while Israel's recent conduct in Gaza amounts to genocide according to UN bodies, genocide scholars, and all major

---

[5] Moody's Ratings. "Rating Action: Moody's downgrades Government of Israel's long-term local and foreign-currency issuer ratings to Baa1 from A2; outlook remains negative." Moody's Ratings, 27 Sept. 2024, https://ratings.moodys.com/ratings-news/429502; Fitch Ratings. "Fitch Downgrades Israel to 'A' Outlook Negative." Fitch Ratings, 12 Aug. 2024, https://www.fitchratings.com/research/sovereigns/fitch-downgrades-israel-to-a-outlook-negative-12-08-2024

human rights organizations. Amnesty International, in its December 2024 report,[6] concluded unequivocally that Israel is committing genocide against Palestinians in Gaza, citing the deliberate starvation of civilians, indiscriminate attacks, forced displacement, and systematic destruction of civilian life. The International Association of Genocide Scholars has likewise issued a formal resolution affirming that Israel's actions meet the legal definition of genocide and constitute war crimes and crimes against humanity.[7] Human Rights Watch has likewise documented genocidal acts since 2023, including Israel's systematic destruction of water infrastructure and its denial of access to essential services.[8] These acts have resulted in widespread disease and death and reinforce the genocidal pattern of conduct. Notwithstanding the Trump administration's "peace plan" and declarations of a ceasefire, the genocide is ongoing, and Israel has continued to bombard Gaza, destroying 2,400 buildings and killing hundreds of Palestinians there.

In 2025, the United Nations Independent International Commission of Inquiry (COI) confirmed[9] that Israel had committed four of the five acts of genocide laid out in the Genocide Convention. The Commission found evidence of 1. killing members of the group, 2. causing serious bodily or mental harm, 3. deliberately inflicting conditions of life calculated to bring about physical destruction in whole or in part, and 4. imposing measures intended to prevent births. The COI further determined that the overall pattern of conduct and official statements provided reasonable grounds to conclude that these acts were committed with genocidal intent. The COI further determined that the consistency of state policy and the statements of senior officials demonstrate genocidal intent.[10] In August 2025, after many months of warning against impending famine, the Integrated Food Security Phase Classification (IPC) confirmed that famine had been inflicted on Gaza, with more than half a million people trapped in conditions of starvation, destitution, and preventable death.[11] The report emphasized the starvation campaign was deliberate, caused by Israeli policies of restricting humanitarian aid, blocking food

---

[6] "Amnesty International Concludes Israel Is Committing Genocide Against Palestinians in Gaza." *Amnesty International*, 20 Dec. 2024, https://www.amnesty.org/en/latest/news/2024/12/amnesty-international-concludes-israel-is-committing-genocide-against-palestinians-in-gaza/

[7] International Association of Genocide Scholars. *IAGS Resolution on Gaza – Final*. August 2025. https://genocidescholars.org/wp-content/uploads/2025/08/IAGS-Resolution-on-Gaza-FINAL.pdf

[8] Human Rights Watch. "Extermination and Acts of Genocide: Israel Deliberately Depriving Palestinians in Gaza." 19 Dec. 2024, https://www.hrw.org/report/2024/12/19/extermination-and-acts-genocide/israel-deliberately-depriving-palestinians-gaza

[9] United Nations. *Report of the Commission of Inquiry on Genocide in the Gaza Strip, A/HRC/60/CRP.3*. United Nations Human Rights Council, 19 Sept. 2025, https://www.un.org/unispal/document/commission-of-inquiry-report-genocide-in-gaza-a-hrc-60-crp-3/

[10] "The Commission now analyses whether the only reasonable inference that can be drawn from the pattern of conduct by the Israeli security forces in Gaza is evidence of genocidal intent." *United Nations, Human Rights Council, "Report of the Independent International Commission of Inquiry on the Occupied Palestinian Territory, including East Jerusalem, and Israel,"* A/HRC/60/CRP.3, 19 Sept. 2025, para. 177. https://www.un.org/unispal/document/commission-of-inquiry-report-genocide-in-gaza-a-hrc-60-crp-3/

[11] Integrated Food Security Phase Classification. "Gaza Strip: Famine Confirmed in Gaza Governorate, Projected to Expand." Issue 134, 22 Aug. 2025, https://www.ipcinfo.org/ipcinfo-website/countries-in-focus-archive/issue-134/en/

deliveries, and destroying agricultural infrastructure.[12] A subsequent IPC report in December 2025 indicated acute food insecurity remains at emergency levels for most of the population due to continued Israeli blockades, which violate the Trump-brokered ceasefire agreement.[13] The IPC further warned that famine would continue to spread to other governorates, projecting acute food insecurity into January-April 2026 as long as aid remains obstructed. Starting in January 2024, the ICJ has repeatedly ordered Israel to end its starvation campaign, recognizing the tactic as both a war crime and an act of genocide.[14] Notwithstanding the Trump administration's "peace plan" and declarations of a ceasefire, the genocide is ongoing, and Israel has continued to bombard Gaza, destroying 2,400 buildings and killing hundreds of Palestinians since the ceasefire was announced.

Israel's policies toward Palestinians in the occupied territories of the West Bank, Gaza, and East Jerusalem constitute racial discrimination and, under binding international norms, amount to illegal occupation and apartheid. In July 2024, the ICJ decisively held in its advisory opinion that Israel's continued presence in the Occupied Palestinian Territory (OPT) is unlawful, that Israeli practices obstruct Palestinian self-determination, violate the prohibition on the acquisition of territory by force, and impose a discriminatory regime over the Palestinian people.[15] The Court further found that Israel's regime of "comprehensive restrictions" in the OPT constitutes systemic discrimination based on national or ethnic origin, in breach of Article 3 of the Convention on the Elimination of Racial Discrimination (CERD), and it accepted arguments that Israel's policies amount to segregation and domination consistent with apartheid. Amnesty International's investigations have for many years concluded that Israel has created a "cruel system of domination" over Palestinians that meets the legal definition of apartheid, documenting institutionalized and systematic discrimination embedded across law, policy, and practice.[16] B'Tselem similarly asserts that Israel maintains a regime of control based on

---

[12] Integrated Food Security Phase Classification. *Famine Review Committee: Gaza Strip, August 2025*. IPC, August 2025, https://www.ipcinfo.org/fileadmin/user_upload/ipcinfo/docs/IPC_Famine_Review_Committee_Report_Gaza_Aug2025.pdf

[13] "Gaza IPC Analysis Finds Famine Conditions Offset but Situation Remains Critical." United Nations Office for the Coordination of Humanitarian Affairs (OCHA) via United Nations Information System on the Question of Palestine, 19 Dec. 2025, https://www.un.org/unispal/document/gaza-ipc-analysis-finds-famine-conditions-offset-but-situation-remains-critical-ocha/

[14] International Court of Justice. Order of 26 January 2024, Application of the Convention on the Prevention and Punishment of the Crime of Genocide in the Gaza Strip (South Africa v. Israel). 26 Jan. 2024, https://www.icj-cij.org/node/203447; International Court of Justice. Application of the Convention on the Prevention and Punishment of the Crime of Genocide in the Gaza Strip (South Africa v. Israel), Summary of the Order of 24 May 2024. 24 May 2024, https://www.icj-cij.org/node/204100

[15] *Advisory Opinion – Legal Consequences Arising from the Policies and Practices of Israel in the Occupied Palestinian Territory, including East Jerusalem* (General List No. 186), 19 July 2024. *International Court of Justice*, https://www.icj-cij.org/index.php/node/204160

[16] Amnesty International. *Israel's Apartheid Against Palestinians: Cruel System of Domination and Crime Against Humanity.* Amnesty International, 1 Feb. 2022, https://www.amnesty.org/en/documents/mde15/5141/2022/en/

hierarchy and exclusion, amounting to apartheid in the OPT and beyond.[17] This characterization includes patterns of domination, territorial fragmentation, and dispossession, reflecting the core legal elements of apartheid as a crime against humanity. Together, these sources confirm that Israel's rule over Palestinians is not only discriminatory but structurally racial, amounting to apartheid under international law.

In November 2024 the ICC issued arrest warrants for Israeli Prime Minister Benjamin Netanyahu and then-Defense Minister Yoav Gallant, charging them with war crimes and crimes against humanity committed in Gaza, including the use of starvation as a method of warfare.[18] This unprecedented action underscores the growing legal consensus that Israel's policies of depriving Gaza's civilian population of food, water, and essential services constitute not only grave breaches of international humanitarian law but also prosecutable international crimes. Article 54 of Additional Protocol I to the Geneva Conventions expressly prohibits using starvation of the civilian population as a method of warfare, including by destroying objects indispensable to survival such as foodstuffs, crops, water supplies, and agricultural areas.[19] This has not prevented Israel from enacting official starvation policies and using vital aid as a bargaining chip.[20] Article 8(2)(b)(xxv) of the Rome Statute further codifies this prohibition, defining starvation of civilians as a war crime.[21]

In its July 2024 advisory opinion, the ICJ found that Israel's continued presence in the occupied Palestinian territory is unlawful and ordered that the occupation end "as rapidly as possible."[22] The Court held that Israel must withdraw its military and civilian infrastructure, dismantle settlements and the separation wall, and pay full reparations to the Palestinian people for decades of dispossession, destruction of property, and denial of development.[23] In September 2024 the UNGA gave effect to this opinion through Resolution A/ES-10/24, which affirmed the

---

[17] A Regime of Jewish Supremacy from the Jordan River to the Mediterranean Sea: This Is Apartheid. B'Tselem, 12 Jan. 2021, https://www.btselem.org/sites/default/files/publications/202101_this_is_apartheid_eng.pdf

[18] International Criminal Court. Situation in the State of Palestine: ICC Pre-Trial Chamber I Rejects State of Israel's Challenges to Jurisdiction and Issues Warrants of Arrest for Benjamin Netanyahu and Yoav Gallant. 21 Nov. 2024, https://www.icc-cpi.int/news/situation-state-palestine-icc-pre-trial-chamber-i-rejects-state-israels-challenges

[19] International Committee of the Red Cross. Protocol Additional to the Geneva Conventions of 12 August 1949, and Relating to the Protection of Victims of International Armed Conflicts (Protocol I), 8 June 1977, Article 54. ICRC, https://ihl-databases.icrc.org/en/ihl-treaties/api-1977/article-54

[20] Israel cuts off humanitarian supplies to Gaza as it seeks to change ceasefire deal by Julian Borger. The Guardian, 2 Mar. 2025, https://www.theguardian.com/world/2025/mar/02/israel-cuts-off-humanitarian-supplies-to-gaza-as-it-seeks-to-change-ceasefire-deal

[21] International Criminal Court. *Rome Statute of the International Criminal Court.* 17 July 1998, Article 8(2)(b)(xxv). ICC, https://www.icc-cpi.int/sites/default/files/RS-Eng.pdf

[22] International Court of Justice. *Advisory Opinion on Legal Consequences Arising from the Policies and Practices of Israel in the Occupied Palestinian Territory, including East Jerusalem.* 19 July 2024, https://www.icj-cij.org/node/204160

[23] Ibid.

illegality of the occupation and required its termination within twelve months.[24] The UNGA resolution affirmed that Israel must not only end its annexation policies and systemic racial discrimination, but also compensate Palestinians for losses suffered under more than fifty years of illegal occupation, torture, abuse, theft, and killings.

The ICJ decision and subsequent UNGA resolution expressly call on all third parties "not to recognize as legal the situation arising from the unlawful presence of the State of Israel in the Occupied Palestinian Territory," "not to render aid or assistance in maintaining the situation," to take steps "to prevent trade or investment that would serve to maintain the situation," and "to take steps towards ceasing… the provision or transfer of arms, munitions and related equipment to Israel, the occupying Power, in all cases where there are reasonable grounds to suspect that they may be used in the Occupied Palestinian Territory."[25] The UNGA resolution makes clear that these obligations extend to sub-national public authorities and state-controlled entities, including pension systems, treasuries, and other custodians of public funds, directing states to take steps to ensure "their nationals, and, as well as their authorities, do not act in any way that would entail recognition or provide aid or assistance in maintaining the situation…"[26] Under international law, the conduct of state organs at all levels is attributable to the state itself.[27] As such, public investment activity in Israel Bonds undertaken by a U.S. state or municipality falls within the scope of the resolution's non-recognition and non-assistance framework. Continued purchase or renewal of Israeli sovereign instruments by state fiduciaries constitutes precisely the form of "aid or assistance," "trade and investment" and "provision of arms" that the UNGA has directed states and their authorities to prevent.

For institutional investors and state officials, these developments highlight not only the illegality of sustaining Israel's actions through financial instruments such as Israel Bonds, but also the material risk of holding assets linked to a government whose senior leaders face international arrest warrants for war crimes. Such securities cannot be considered reliable or stable investments when they are tied to an unlawful regime already subject to mounting liability and global sanctions pressure. These determinations carry direct consequences for states, institutions, and investors. In light of the overwhelming finding of genocide by UN

---

[24] United Nations General Assembly. *Resolution A/RES/ES-10/24: Advisory opinion of the International Court of Justice on the legal consequences arising from Israel's policies and practices in the Occupied Palestinian Territory, including East Jerusalem, and from the illegality of Israel's continued presence in the Occupied Palestinian Territory.* 18 Sept. 2024. United Nations, https://docs.un.org/en/A/RES/ES-10/24

[25] United Nations General Assembly. Resolution A/RES/ES-10/24 (18 September 2024) – Advisory opinion of the International Court of Justice on the legal consequences arising from Israel's policies and practices in the Occupied Palestinian Territory, including East Jerusalem, and from the illegality of Israel's continued presence in the Occupied Palestinian Territory. General Assembly, Tenth Emergency Special Session, 18 Sept. 2024, https://docs.un.org/en/A/RES/ES-10/24

[26] Ibid.

[27] International Law Commission. Draft Articles on Responsibility of States for Internationally Wrongful Acts with Commentaries. Adopted by the UN General Assembly in Resolution 56/83, 12 Dec. 2001, https://www.refworld.org/legal/otherinstr/ilc/2001/en/20951

investigators,[28] human rights organizations,[29] genocide scholars,[30] and Israeli and Palestinian human rights organizations,[31] as well as the ICJ's condemnation of racial discrimination and occupation echoed by the UNGA, and the common law principles of state responsibility, all third parties are obliged not to assist Israel's unlawful genocide, occupation, and other crimes.[32] Investments in Israeli state securities, including Israel Bonds, directly contravene this duty by supplying funds to sustain criminal acts. Such investments expose bond holders to legal and reputational liability, as well as to growing sovereign risk as Israel faces mounting demands for reparations and deepening political isolation. Far from being reliable instruments, Israel Bonds are tainted by illegality and undermined by Israel's eroding financial stability.

Under New York law, public fiduciaries are governed by statutory and regulatory standards that require investment decisions to be made solely in the interests of beneficiaries with "care, skill and caution."[33] For the State Comptroller managing the New York State Common Retirement Fund, for example, the fiduciary "shall act solely in the interests of the members and beneficiaries of the retirement system" and must exercise "care, skill, prudence and diligence… that a prudent person acting in a like capacity … would use in the conduct of an enterprise of a like character."[34] These requirements reflect the "prudent person" standard codified in New York's Prudent Investor Act and elaborated in New York regulations governing public retirement systems, which require boards and investment officers to administer funds exclusively for the financial benefit of members and beneficiaries and in accordance with prevailing risk-management standards.[35] Under these duties, fiduciaries must consider risk, return, diversification, and the long-term financial interests of beneficiaries. They are not permitted to subordinate these legal obligations to political, ideological, or extraneous objectives. Because

---

[28] Office of the United Nations High Commissioner for Human Rights. "Israel Has Committed Genocide in the Gaza Strip, UN Commission Finds." OHCHR, 30 Sept. 2025, https://www.ohchr.org/en/press-releases/2025/09/israel-has-committed-genocide-gaza-strip-un-commission-finds

[29] Amnesty International. "Amnesty International Concludes Israel Is Committing Genocide Against Palestinians in Gaza." Amnesty International, 14 Dec. 2024, https://www.amnesty.org/en/latest/news/2024/12/amnesty-international-concludes-israel-is-committing-genocide-against-palestinians-in-gaza/

[30] International Association of Genocide Scholars. Resolution on Gaza. 16 Aug. 2025, https://genocidescholars.org/wp-content/uploads/2025/08/IAGS-Resolution-on-Gaza-FINAL.pdf

[31] B'Tselem – The Israeli Information Center for Human Rights in the Occupied Territories. "Our Genocide: B'Tselem Finds Israel Is Committing Genocide Against the Palestinian People." 28 July 2025, https://www.btselem.org/press_releases/20250728_our_genocide

[32] United Nations General Assembly. Resolution A/RES/ES-10/24 (18 September 2024) – Advisory opinion of the International Court of Justice on the legal consequences arising from Israel's policies and practices in the Occupied Palestinian Territory, including East Jerusalem, and from the illegality of Israel's continued presence in the Occupied Palestinian Territory. General Assembly, Tenth Emergency Special Session, 18 Sept. 2024, https://docs.un.org/en/A/RES/ES-10/24

[33] New York State Legislature. Estates, Powers and Trusts Law § 11-2.3 – Prudent Investor Act. New York State Senate, https://www.nysenate.gov/legislation/laws/EPT/11-2.3

[34] National Association of State Retirement Administrators. "New York – Legal Framework for Public Pensions." NASRA, https://www.nasra.org/ny

[35] New York State Department of Financial Services. "11 NYCRR § 136-2.3 — Fiduciary Responsibilities." New York Codes, Rules and Regulations, Law Cornell Legal Info Institute, https://www.law.cornell.edu/regulations/new-york/11-NYCRR-136-2.3

New York's fiduciary framework binds public investment authorities to act solely for the financial benefit of members and beneficiaries and to exercise independent, reasoned judgment based on foreseeable financial and legal risks, continued investment in instruments that present quantifiable legal, financial, and reputational exposure (such as Israel Bonds) raises a credible risk of breach of fiduciary duty and attendant litigation liability.[36]

2. Ethical Responsibilities of Public Funds

Public funds are increasingly understood to carry not only financial obligations but also ethical responsibilities to uphold nonviolence, non-discrimination, and minority protections, particularly in how they allocate capital. In the responsible-investment (RI) and ESG (environmental, social, governance) literatures, investors are urged to treat human rights as integral to fiduciary duty: for instance, the United Nations Principles for Responsible Investment (PRI) emphasizes that investors should engage with rights holders and avoid contributing to human rights abuses, including discrimination or forced displacement ("Why and How Investors Should Act on Human Rights"). Public trustees, as stewards of taxpayer or pension capital, thereby should avoid investments in companies or governments that perpetuate systemic injustice or violence, given that such investments pose material legal, reputational, and moral risk.

The historical divestment from South African apartheid provides a concrete precedent: during the 1980s and 1990s, numerous state and municipal pension funds in the United States passed legislation or policies requiring withdrawal of investments from companies tied to apartheid South Africa. As early as 1985, many U.S. state legislatures adopted divestment laws mandating that public funds withdraw holdings from firms doing business in South Africa (Walsh, The Constitutionality of State and Local Governments' Response to Apartheid). By September 1986, 19 U.S. states and 62 cities and counties had enacted anti-apartheid divestment measures, leveraging public capital as a tool for moral accountability (Smith, Public Pension Fund Divestment of South African). This real-world example demonstrates that public fiduciaries have historically viewed ethical and human rights considerations as part of their decision-making duty, especially when their investments indirectly sustain systems of oppression.

In *Doe v. Abruzzo* (Fla. 15th Jud. Cir. Ct., filed May 15, 2024),[37] a group of Palm Beach County residents have filed suit against the County Clerk and Comptroller, asserting that the county's investments in Israel Bonds violated fiduciary, constitutional, and statutory duties governing public funds.[38] The plaintiffs, filing anonymously due to safety concerns, argue that public

---

[36] New York State Legislature. Estates, Powers and Trusts Law § 11-2.3 – Prudent Investor Act. New York State Senate, https://www.nysenate.gov/legislation/laws/EPT/11-2.3

[37] *Complaint/Petition for Injunctive Relief, John Doe 1 et al. v. Joseph Abruzzo, Clerk of the Circuit Court and Comptroller of Palm Beach County.* Fifteenth Judicial Circuit Court of Florida, 15 May 2024. https://arizent.brightspotcdn.com/d7/05/d7c786544ad59e5ffba44bba9daa/suit-against-palm-beach-on-israel-bonds-may-2024.pdf

[38] Diamond, Mike. "Lawsuit Seeks to Stop County's Purchase of Israeli Bonds, Saying It Violates State Law." The Palm Beach Post, 24 July 2024,

investments in Israel Bonds unlawfully entangle the county in foreign political and military activity that is contrary to both Florida's fiduciary obligations and federal constitutional principles separating state and foreign affairs. Their petition emphasizes that Florida's public fund trustees are bound by the "exclusive benefit" rule and must ensure that investments serve legitimate public and financial purposes, and not ideological or political agendas. The complaint further contends that investing taxpayer funds in Israel Bonds constitutes viewpoint-based discrimination and violates equal protection principles, as the investment preference for one foreign government cannot be reconciled with the duty of neutrality owed by public officials under both state and federal law.

The plaintiffs' filing also underscores the material legal and reputational risks associated with investing in sovereign securities issued by a government credibly accused of war crimes and genocide, noting that such bonds may constitute "tainted assets" under international law and thereby breach the duty of prudence and loyalty. Citing determinations by the ICJ and ICC, the complaint argues that Israel Bonds directly finance a government engaged in conduct contrary to U.S. treaty obligations under the Genocide Convention and the Geneva Conventions, exposing local officials to potential liability for aiding or assisting an internationally wrongful act. The petition seeks injunctive relief to halt further investments, asserting that the county's financial participation in Israel Bonds is inconsistent with its fiduciary duties, ethical standards, and the constitutional requirement that public resources be used only for legitimate, lawful, and non-discriminatory purposes.

3. Third Party Liability under International and Domestic Law

International and domestic legal frameworks recognize that financial contributions to internationally wrongful acts may trigger secondary liability, even where the assisting party does not directly participate in military operations. A common law definition of aiding and abetting applies to entities that knowingly provide aid or assistance to parties committing a serious breach of international law, including genocide, apartheid, torture, or other grave breaches of the Geneva Conventions. International aiding and abetting standards, articulated in judgments

---

https://eu.palmbeachpost.com/story/news/local/2024/07/24/lawsuit-palm-beach-county-clerk-joseph-abruzzo-cannot-purchase-israeli-bonds-florida-law/74486177007/

such as *Prosecutor v. Furundžija*[39] and *Prosecutor v. Tadić*,[40] hold that an individual or entity incurs responsibility when they knowingly provide practical assistance, encouragement, or support that has a substantial effect on the commission of war crimes or crimes against humanity. The ICC and International Criminal Tribunal for Rwanda (ICTR)[41] have applied similar reasoning in cases involving non-material logistical support to genocidal actors. The Special Court for Sierra Leone's judgment in Prosecutor v. Charles Taylor confirmed that financial and material support, even when provided outside the immediate theater of hostilities, can satisfy aiding-and-abetting liability when it foreseeably contributes to war crimes and crimes against humanity.[42] Material support includes logistical, economic, political, or operational support, and is not limited to direct battlefield involvement. The use of public funds to purchase Israel Bonds thus raises substantial exposure under both international and domestic complicity doctrines.

International tribunals and national courts applying universal jurisdiction have repeatedly held that non-military support, including financing, supply of equipment, provision of corporate services, or facilitation of governmental operations, can constitute actionable complicity in atrocity crimes. National courts have extended these principles through universal jurisdiction prosecutions: a Dutch court convicted Frans van Anraat for supplying chemicals used in attacks on civilians in Iran and Iraq;[43] Swedish prosecutors have pursued corporate executives in the Lundin Petroleum case for facilitating war crimes through commercial arrangements;[44] and

---

[39] "The organised and official nature of the system by which war crimes were perpetrated in this case adds a specific element to the "complicity" of the accused. The report of the case by the United Nations War Crimes Commission isolates three elements necessary to establish guilt in each case. The first was the existence of a system to illtreat the prisoners and commit the various crimes alleged; the second was the accused's knowledge of the nature of this system; and the third was that the accused "encouraged, aided and abetted or participated" in enforcing the system. Once the existence of the system had been established, a given accused was potentially liable for his participation in this system." International Criminal Tribunal for the Former Yugoslavia. *Prosecutor v. Anto Furundžija (Judgment, Trial Chamber)*, Case No. IT-95-17/1-T, 10 Dec. 1998. United Nations, https://www.icty.org/x/cases/furundzija/tjug/en/fur-tj981210e.pdf

[40] "In sum, the Appeals Chamber holds the view that the notion of common design as a form of accomplice liability is firmly established in customary international law and in addition is upheld, albeit implicitly, in the Statute of the International Tribunal… [B]ased on the Statute and the inherent characteristics of many crimes perpetrated in wartime, warrants the conclusion that international criminal responsibility embraces actions perpetrated by a collectivity of persons in furtherance of a common criminal design." International Criminal Tribunal for the Former Yugoslavia (ICTY). *Prosecutor v. Duško Tadić (Appeal Judgment)*, Case No. IT-94-1-A, 15 July 1999. *United Nations International Residual Mechanism for Criminal Tribunals*, https://www.icty.org/x/cases/tadic/acjug/en/tad-aj990715e.pdf

[41] International Residual Mechanism for Criminal Tribunals. Prosecutor v. Nahimana, Barayagwiza & Ngeze (ICTR-99-52): Selected Documents. UCR, https://ucr.irmct.org/scasedocs/case/ICTR-99-52#eng

[42] Prosecutor v. Charles Ghankay Taylor, SCSL-03-01-A-1389, 26 Sept. 2013. Judgment. Legal Tools Database, https://www.legal-tools.org/doc/3e7be5

[43] International Crimes Database. "Public Prosecutor v. Frans Cornelis Adrianus van Anraat." International Crimes Database, https://www.internationalcrimesdatabase.org/Case/178/Van-Anraat/

[44] Holm, Fanny. "Reparations for Corporate Involvement in War Crimes: The Lundin Trial and Prospects for Victims' Justice." *Business and Human Rights Journal*, vol. 9, no. 3, Oct. 2024, pp. 402-424. Cambridge University Press. https://www.cambridge.org/core/journals/business-and-human-rights-

German courts have prosecuted the crime of aiding war crimes in Syria by providing intelligence, equipment, and cross-border support.[45] These precedents demonstrate that economic facilitation can incur criminal and civil responsibility where the assistance strengthens or maintains the machinery of an unlawful regime. By analogy, the purchase of Israel Bonds during an internationally recognized period of genocide, apartheid, and systematic war crimes constitutes the kind of financial assistance that has historically triggered universal-jurisdiction investigations and liability.

U.S. law provides additional avenues for accountability when public funds contribute to internationally wrongful acts. The Alien Tort Statute (ATS)[46] authorizes civil actions for violations of universally recognized norms such as genocide, war crimes, and crimes against humanity. Federal appellate decisions, including *Khulumani v. Barclay National Bank*,[47] *Doe v. Unocal*, I*n re South African Apartheid Litigation, Doe v. Cisco Systems*,[48] and *Talisman Energy*[49] recognize that corporations and individuals may be liable where they knowingly provide substantial assistance to human rights abuses committed abroad.

Courts applying the ATS have repeatedly held that financial facilitation, logistical support, targeted services, or commercial transactions may satisfy this standard when they materially advance the underlying misconduct. Complementing the ATS, 18 U.S.C. § 2441 (the War Crimes Act)[50] criminalizes grave breaches of Common Article 3, including the war crime of starvation codified in Article 8(2)(b)(xxv) of the Rome Statute.[51] Under 18 U.S.C. § 2, anyone who "aids, abets, counsels, commands, induces, or procures" a federal offense, including violations of the War Crimes Act, is punishable as a principal.[52] Taken together, these doctrines confirm that domestic public officials who knowingly allocate financial resources to a foreign government engaged in war crimes or genocide may face liability for aiding and abetting those crimes, particularly when the financial instrument (such as a sovereign bond) foreseeably

---

journal/article/reparations-for-corporate-involvement-in-war-crimes-the-lundin-trial-and-prospects-for-victims-justice/CD6A63A93A1C304F3B0B88B54E1F9A8C

[45] Human Rights Watch. "Germany: Conviction for State Torture in Syria." 13 Jan. 2022, https://www.hrw.org/news/2022/01/13/germany-conviction-state-torture-syria

[46] United States Congress. "Alien's Action for a Tort – 28 U.S.C. § 1350." Title 28 – Judiciary and Judicial Procedure, § 1350. Cornell Law School Legal Information Institute, https://www.law.cornell.edu/uscode/text/28/1350

[47] Khulumani v. Barclay National Bank Ltd., 504 F.3d 254. United States Court of Appeals for the Second Circuit. 12 Oct. 2007. https://caselaw.findlaw.com/court/us-2nd-circuit/1089266.html

[48] Doe v. Cisco Systems, Inc., 73 F.4th 700 (9th Cir. 2023). https://cdn.ca9.uscourts.gov/datastore/opinions/2023/07/07/15-16909.pdf

[49] Presbyterian Church of Sudan v. Talisman Energy, 582 F.3d 244 (2d Cir. 2009). https://law.justia.com/cases/federal/district-courts/FSupp2/244/289/2287736/

[50] 18 U.S.C. § 2441 – War Crimes. *Legal Information Institute, Cornell Law School*, www.law.cornell.edu/uscode/text/18/2441

[51] International Criminal Court. Rome Statute of the International Criminal Court. 17 July 1998, art. 8(2)(b)(xxv), https://www.icc-cpi.int/sites/default/files/RS-Eng.pdf

[52] 18 U.S.C. § 2 – Principals. Legal Information Institute, Cornell Law School, www.law.cornell.edu/uscode/text/18/2: "(a) Whoever commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal."

contributes to sustaining the unlawful conduct. Israel Bonds investments therefore pose not only fiduciary and ethical risks, but also substantial legal exposure under U.S. aiding-and-abetting jurisprudence.

III. Public Opinion and Democratic Legitimacy

1. Evidence of Public Opposition

Public sentiment in the United States increasingly opposes the use of state and municipal funds to purchase Israel Bonds, particularly as awareness grows regarding Israel's ongoing violations of international humanitarian law, international human rights law, and international criminal law. Recent polling conducted by the Arab American Institute (2024) and the Center for Economic and Policy Research (2023) shows that a majority of Americans, across party lines, oppose the U.S. government or public institutions providing financial or military support to Israel amid its actions in Gaza.[53] Pew Research polling in October 2025 indicates that 39% of Americans believe Israel's operations in Gaza were "going too far," compared to 10% who said "not far enough." Fifty-nine percent (59%) hold an unfavorable (or very unfavorable) view of the Israeli government.[54] Among younger voters and public-sector union members (who are the primary stakeholders in state pension systems), support for divestment and sanctions has reached majority levels.[55] These findings reflect a deepening moral and democratic divide between elected officials who authorize bond purchases and the constituents whose funds they manage.

At the local level, sustained community advocacy has reinforced this disconnect. The recent lawsuit brought by Palm Beach County residents, as well as divestment resolutions introduced in municipalities such as Somerville, Massachusetts and Chicago, Illinois, illustrate that public beneficiaries are demanding an end to investments in Israel Bonds on ethical and legal grounds. Faith-based coalitions, student groups, and human rights organizations, including Jewish Voice for Peace (JVP), the Adalah Justice Project, and American Friends Service Committee, have mobilized around the argument that public investments in Israel Bonds undermine democratic accountability by disregarding constituent will and perpetuating complicity in unlawful conduct. These efforts demonstrate that Israel Bonds purchases are not only financially and legally risky but also politically untenable, lacking the democratic legitimacy necessary for continued public investment.

---

[53] Center for Economic and Policy Research. "Poll: Majority of Americans Say Biden Should Halt Weapons Shipments to Israel." CEPR, 21 Mar. 2024, https://cepr.net/newsroom/poll-majority-of-americans-say-biden-should-halt-weapons-shipments-to-israel/

[54] Pew Research Center. "How Americans View the Israel-Hamas Conflict, 2 Years into the War." *Pew Research Center*, 3 Oct. 2025, https://www.pewresearch.org/politics/2025/10/03/how-americans-view-the-israel-hamas-conflict-2-years-into-the-war/

[55] "Less Than Half in U.S. Now Sympathetic Toward Israelis." *Gallup*, 27 Mar. 2025, https://news.gallup.com/poll/657404/less-half-sympathetic-toward-israelis.aspx

2. Political Precedents

Across the United States, elected officials, advocacy networks, and community coalitions have mobilized to challenge state and municipal investment in Israel Bonds, invoking principles of ethical governance, fiduciary prudence, and public accountability. In New York, then-State Assemblymember Zohran Mamdani led one of the most visible campaigns against Israel Bonds purchases, urging New York City and State to stop holding or purchasing such securities.[56] In his mayoral campaign, Mamdani emphasized that public funds must not be used to “underwrite war crimes,” arguing that investments in Israel Bonds directly contravene the city’s human rights commitments and fiscal responsibility standards. Mamdani’s initiative sparked widespread local debate, and was supported by coalitions such as the Democratic Socialists of America, JVP, and the Adalah Justice Project, and contributed to several New York City pension boards voting to review or freeze Israel Bonds holdings.[57]

Similarly, the “Break the Bonds” campaign, organized by JVP and allied community groups, has built a national platform urging cities, states, and universities to divest from Israel Bonds and other Israeli financial instruments. The campaign draws explicit parallels to the South African anti-apartheid divestment movement of the 1980s, highlighting the moral and historical precedent for using financial tools to oppose systems of racial domination. JVP’s initiative has been endorsed by multiple civic and faith-based organizations, including the U.S. Campaign for Palestinian Rights and the Presbyterian Church (USA), and it provides policy templates for local governments and pension trustees seeking to align investments with international law.[58] At the municipal level, resolutions urging divestment have been introduced or debated in Chicago, Somerville, and Oakland, reflecting a growing national trend toward rights-based investment screening. These political and community-led initiatives establish a robust democratic precedent for rejecting Israel Bonds as instruments incompatible with ethical stewardship and public fiduciary duty.

3. Strategic Framing and Accountability

Public advocacy surrounding Israel Bonds divestment has increasingly adopted a moral and democratic framing, emphasizing principles of transparency, public consent, and accountability to taxpayers. Campaigns such as JVP’s “Not in My Name: Divest from Your Israel Bonds” initiative argue that public institutions must not use citizen funds to underwrite state violence or apartheid systems, underscoring that continued investment contradicts both public will and

---

[56] “Zohran Mamdani Says He’d Keep NYC out of Israel Bonds Investment if Elected Mayor.” *The Times of Israel*, 8 Sept. 2025, https://www.timesofisrael.com/zohran-mamdani-says-hed-keep-nyc-out-of-israel-bonds-investment-if-elected-mayor/

[57] “NY State Is Subsidizing Illegal Israeli Settlements, We Say “Not on Our Dime”.” *Adalah Justice Project*, 15 June 2023, https://www.adalahjusticeproject.org/updates/2023/6/15/ny-state-is-subsidizing-illegal-israeli-settlements-we-say-not-on-our-dime

[58] Jewish Voice for Peace. “Break the Bonds: Stop Investing in Apartheid (Campaign Hub).” *Jewish Voice for Peace*, 13 Feb. 2024, https://www.jewishvoiceforpeace.org/resource/break-the-bonds-divest/

foundational democratic values.[59] This framing, rooted in the language of civic responsibility and anti-complicity, reflects a broader shift toward participatory governance in investment decisions, particularly where public and pension funds are involved. Statements from advocacy groups such as the Adalah Justice Project, which has condemned New York State's financial support for Israeli settlements as "subsidizing illegality," further highlight the growing demand for financial transparency and ethical oversight.[60] Public calls for divestment are increasingly tied to arguments that elected officials and fund trustees have an affirmative duty to align public investments with constituent ethics and international law. Failure to do so risks reputational damage, protests, and electoral backlash, as evidenced by mounting political pressure on municipal and state officials who continue to defend Israel Bond holdings despite widespread opposition from local unions, faith groups, and community organizations.

IV. Liability and Legal Risk

1. Civil Liability

Investments in Israel Bonds may expose public officials, trustees, and institutional investors to civil liability under established doctrines of aiding and abetting human rights violations. U.S. and international jurisprudence recognize that entities providing substantial assistance or material support to unlawful state conduct can be held liable where they knew or should have known of the violations being facilitated. Under the Alien Tort Statute (ATS), U.S. courts have long considered claims against corporations for complicity in war crimes, torture, and crimes against humanity. The court in *Doe v. Unocal Corp.* (395 F.3d 932 [9th Cir. 2002]),[61] held that a corporation could be liable for aiding and abetting forced labor committed by foreign security forces when it provided practical assistance with knowledge of the abuses. Although later settled, the case established that financial or logistical support may constitute actionable complicity when tied to grave human-rights violations. Likewise, in *Kiobel v. Royal Dutch Petroleum Co.* (569 U.S. 108 [2013]),[62] the Supreme Court addressed corporate accountability for aiding and abetting abuses in Nigeria, holding that liability may arise where conduct sufficiently "touches and concerns" the United States. Although the Court limited extraterritorial jurisdiction, it affirmed that aiding-and-abetting liability remains available under international law when a U.S. nexus is clear (Supreme Court of the United States).

---

[59] Jewish Voice for Peace. "Not In My Name: Divest from Your Israel Bonds." *Jewish Voice for Peace*, https://www.jewishvoiceforpeace.org/resource/not-in-my-name-divest/

[60] "NY State Is Subsidizing Illegal Israeli Settlements. We Say Not on Our Dime." *Adalah Justice Project*, 15 June 2023, https://www.adalahjusticeproject.org/updates/2023/6/15/ny-state-is-subsidizing-illegal-israeli-settlements-we-say-not-on-our-dime

[61] *Doe v. Unocal Corp.*, 395 F.3d 932 (9th Cir. 2002). EarthRights International, https://earthrights.org/case/doe-v-unocal/

[62] *Kiobel v. Royal Dutch Petroleum Co.*, 569 U.S. 108 (2013). https://tile.loc.gov/storage-services/service/ll/usrep/usrep569/usrep569108/usrep569108.pdf

These precedents demonstrate that investors cannot disregard credible evidence of war crimes, genocide, or apartheid when directing or maintaining financial support to an implicated state. Comparable reasoning has been applied in *Presbyterian Church of Sudan v. Talisman Energy*, Inc. (582 F.3d 244 [2d Cir. 2009])[63] and *Jesner v. Arab Bank, PLC* (584 U.S. 333 [2018]),[64] where courts examined whether financial services or logistical aid contributed to violations abroad. These cases collectively affirm that fiduciaries and institutional investors have a duty of due diligence to ensure that their financial activities do not contribute to internationally wrongful acts. Failure to exercise such diligence may expose them to civil claims under domestic tort law, the ATS, or emerging transnational due-diligence frameworks for complicity in human rights violations.

2. Criminal Liability

While the likelihood of prosecution before the ICC remains remote for U.S. officials, exposure to criminal liability for complicity in war crimes, genocide, or crimes against humanity is nonetheless possible under universal jurisdiction statutes and domestic criminal laws in other states. Universal jurisdiction permits national courts to prosecute individuals, regardless of nationality or where the crime occurred, when the offenses constitute breaches of peremptory norms such as torture, genocide, or war crimes. European jurisdictions, including Germany, Spain, Belgium, France, and Switzerland, have enacted laws allowing such prosecutions. German prosecutors, for instance, used the Code of Crimes against International Law[65] to convict a former Syrian intelligence officer for crimes against humanity in 2022.[66] The same statutory framework authorizes cases against foreign officials, military personnel, or private actors who materially assist war crimes abroad. Spain's Ley Orgánica 1/2014 similarly retains universal jurisdiction where victims include Spanish nationals or the accused is present in Spain. In 2021, French prosecutors opened an investigation under the Code de Justice Pénale Militaire into arms transfers used in Yemen, underscoring that individuals and entities in third states can face criminal scrutiny for knowingly facilitating atrocities. For U.S. state or municipal fiduciaries purchasing Israel Bonds, such laws create a non-trivial risk that travel or transactions within these jurisdictions could trigger investigative or prosecutorial attention if their financial actions are shown to materially sustain alleged war crimes.

---

63 "Presbyterian Church of Sudan v. Talisman Energy, Inc.: Aiding and Abetting Liability Under the Alien Tort Statute," *Minnesota Journal of International Law*, https://scholarship.law.umn.edu/cgi/viewcontent.cgi?article=1336&context=mjil

64 *Jesner v. Arab Bank, PLC*, 584 U.S. 333 (2018). Supreme Court of the United States, https://www.supremecourt.gov/opinions/17pdf/16-499_1a7d.pdf.

65 *ölkerstrafgesetzbuch* (VStGB) – Code of Crimes against International Law, 2002, https://www.gesetze-im-internet.de/vstgb/BJNR225410002.html

66 Aboueldahab, Ibrahim, and Steffi Langmack. "Universal Jurisdiction Cases in Germany." *Minnesota Journal of International Law*, vol. 31, no. 2, 2022, pp. 1–34, https://minnjil.org/wp-content/uploads/2022/09/Aboueldahab-Langmack_v31_i2_1_34.pdf

Domestic legislation also establishes potential criminal exposure for complicity in state violence through financial or material support. The U.S. War Crimes Act (18 U.S.C. § 2441)[67] criminalizes grave breaches of the Geneva Conventions committed by U.S. nationals, while the Genocide Accountability Act of 2007 (18 U.S.C. § 1091(e))[68] extends jurisdiction over genocide offenses committed abroad by or against U.S. persons. U.S. federal law also criminalizes the knowing provision of material support or resources to designated foreign terrorist organizations under the material support statutes, 18 U.S.C. §§ 2339A and 2339B, provisions that have been applied in both criminal prosecutions and civil litigation involving financial institutions and intermediaries alleged to have facilitated prohibited transfers.[69] Comparable statutes in the United Kingdom, the International Criminal Court Act 2001 and the Terrorism Act 2000, and in Canada under the Crimes Against Humanity and War Crimes Act (2000)[70] likewise criminalize aiding or abetting war crimes extraterritorially. These frameworks establish that officials and institutional investors may face liability not because they directly commit violations, but because they knowingly provide material assistance or financing that facilitates them. The growing reach of such universal jurisdiction and domestic statutes therefore underscores that investments in state instruments like Israel Bonds, when tied to ongoing grave breaches of international law, carry tangible risks of individual criminal responsibility across multiple legal systems.

3. Reputational, Political, and Financial Risks

Investments in Israel Bonds now carry significant and escalating reputational risk for public institutions, pension funds, and other fiduciary actors. Israel Bonds are not passive market instruments but direct loans to the Israeli government used to fund its defense forces, weapons, and military operations, and explicitly marketed as expressions of political and financial support. As a result, they have become focal points for protests, boycotts, and organized divestment campaigns across the United States. State treasurers, pension trustees, and elected officials associated with these investments have faced sustained public pressure, media scrutiny, and reputational harm as Israel's conduct in OPT has been widely characterized by major human rights organizations as involving serious violations of international law. The reputational exposure is therefore not abstract but tangible, visible, and ongoing.

These reputational risks increasingly translate into political risk for institutional investors. Israel Bonds have become a contested issue in electoral politics, legislative oversight, and public accountability debates, particularly where taxpayer funds or public pension assets are involved. Advocacy campaigns have successfully framed such investments as incompatible with fiduciary responsibility, ethical governance, and alignment with stated environmental, social, and

---

[67] *War Crimes Act*, 18 U.S.C. § 2441. Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/18/2441

[68] *Genocide Accountability Act of 2007*, Pub. L. No. 110-151, 121 Stat. 1821 (2007). GovInfo, https://www.govinfo.gov/content/pkg/PLAW-110publ151/pdf/PLAW-110publ151.pdf

[69] *8 U.S.C. § 2339A – Providing Material Support to Terrorists." Legal Information Institute, Cornell Law School*, https://www.law.cornell.edu/uscode/text/18/2339A

[70] *Crimes Against Humanity and War Crimes Act*, S.C. 2000, c. 24. *Justice Laws Website*, Department of Justice Canada, https://laws-lois.justice.gc.ca/eng/acts/C-45.9/

governance commitments. As a result, officials overseeing these investments face heightened risk of political backlash, formal inquiries, and policy reversals, especially as public awareness of the humanitarian, legal, and financial dimensions of Israel's actions continues to grow. This politicization of Israel Bonds distinguishes them from most sovereign debt instruments and amplifies their risk profile for public institutions.

Beyond immediate controversy, continued investment in Israel Bonds poses a long-term risk of permanent loss of trust among beneficiaries and stakeholders. Pension participants, employees, and the broader public may perceive such investments as prioritizing political alignment over prudence, neutrality, and the protection of beneficiaries' interests. Once trust in fiduciary judgment is eroded, it is difficult to restore, particularly where institutions appear unresponsive to sustained concern or dismissive of widely documented human rights and legal risks. This erosion of confidence can have lasting consequences for institutional legitimacy, governance credibility, and stakeholder engagement, extending well beyond the financial performance of any single investment.

V. Financial, Regulatory, and Structural Risks of Israel Bonds

1. Risk Characterization

Israel Bonds, and especially those formally issued by the Development Corporation for Israel (DCI), carry increasing financial, regulatory, and reputational risks that render them unsuitable for conservative or fiduciary-managed portfolios. While marketed as "patriot" or "solidarity" instruments, these securities are non-tradable, illiquid, and largely exempt from conventional market oversight, making their valuation and secondary-market performance opaque. The U.S. Securities and Exchange Commission (SEC) exempts Israel Bonds from registration under the Securities Act of 1933, meaning they are not subject to the same disclosure, auditing, or reporting requirements as other sovereign bonds or corporate securities (U.S. Securities and Exchange Commission, 2023). As a result, institutional investors lack critical information about how proceeds are used, what assets secure repayment, or how geopolitical volatility affects sovereign risk exposure. Independent financial analyses, such as those published by Moody's and Fitch Ratings, warn that Israel's credit outlook has become increasingly uncertain due to conflict-related spending, political instability, and economic disruption.

In February 2024, Moody's Investors Service downgraded Israel's long-term foreign and local currency ratings from A1 to A2, citing a "significant deterioration in Israel's governance and fiscal outlook" amid the Gaza conflict.[71] Moody's further downgraded Israel from A2 to Baa1 in September 2024, placing Israel near the "non-investment" grade and prompting warnings that

---

[71] "Moody's Downgrades Israel's Credit Rating to A2." Reuters, 9 Feb. 2024, https://www.reuters.com/world/middle-east/moodys-downgrades-israel-a2-2024-02-09/

Israel's sovereign debt is approaching "junk" status.[72] This marked the first sovereign downgrade in Israel's history and was followed by a negative outlook warning from Fitch Ratings in July 2024, which highlighted "elevated security risks and uncertain fiscal policy trajectory" as ongoing concerns.[73] As of 2025, Moody's continues to rate Israel at Baa1 with a negative outlook, reflecting ongoing concerns about fiscal strain, governance, and security risk.[74] Fitch likewise maintains Israel's sovereign rating at A with a negative outlook, signaling that material downside risk remains embedded in the country's credit profile despite the absence of a further downgrade.[75] Such downgrades and negative outlooks substantially increase Israel's borrowing costs and undermine investor confidence in sovereign instruments like Israel Bonds, which depend entirely on the state's fiscal stability.

Beyond credit risk, European institutions have begun reevaluating financial engagement with Israel due to concerns over compliance with EU humanitarian and international law obligations. In September 2025, the European Commission formally called for the freezing of parts of the EU–Israel free trade agreement, recommending suspension of preferential tariff and procurement benefits amid serious concerns over Israel's conduct in Gaza.[76] As of early 2026, formal adoption of the suspension of trade preferences has not yet been implemented, but the initiative remains at the proposal stage, awaiting approval from EU member states. The proposal included reimposition of tariffs on Israeli goods, restrictions on public contract bidding, and freezing protections of intellectual property rights, which are all actions that would directly undermine Israel's access to European markets. Because the EU as a block is Israel's largest trade partner, and because Israel Bonds are fundamentally linked to the fiscal health and international credit standing of the Israeli state, such trade sanctions heighten sovereign risk and may impair the state's ability to service its obligations. These developments demonstrate that shifts in geopolitical alignment can translate quickly into economic consequences for sovereign debt instruments, and signal a growing institutional willingness to weaponize trade law as a mechanism of accountability.[77]

2. Debt Sustainability Concerns

---

[72] "Moody's cuts Israel's rating, warns of drop to 'junk'." *Reuters*, 27 September 2024. https://www.reuters.com/world/middle-east/moodys-cuts-israels-rating-warns-drop-junk-2024-09-27/

[73] "Fitch Affirms Israel at 'A'; Outlook Negative" (Aug. 12, 2024). *Fitch Ratings*, https://www.fitchratings.com/entity/israel-80442223

[74] Reuters. "Moody's affirms Israel's Baa1 ratings, warns Iran conflict to deepen fiscal strain." Reuters, 7 July 2025, https://www.reuters.com/world/middle-east/moodys-affirms-israels-baa1-rating-warns-iran-conflict-deepen-fiscal-strain-2025-07-07/

[75] Reuters, "Fitch affirms Israel's ratings at 'A', negative outlook over continued involvement in Gaza." 31 Mar. 2025, https://www.reuters.com/world/middle-east/fitch-affirms-israels-ratings-a-negative-outlook-over-continued-involvement-gaza-2025-03-31/

[76] O'Carroll, Lisa. "European Commission Proposes Suspending Israel from Part of Horizon Research Programme." The Guardian, 29 July 2025, https://www.theguardian.com/world/2025/jul/29/european-commission-israel-horizon-europe

[77] "European Commission Calls for Freezing of Free Trade with Israel over Gaza." The Guardian, 17 Sept. 2025, https://www.theguardian.com/world/2025/sep/17/european-commission-calls-for-freezing-of-free-trade-with-israel-over-gaza

Israel's sovereign borrowing profile has exhibited signs of mounting fragility and reliance on continual rollover rather than stable revenue support. According to the Bank of Israel Research Department's forecast, public debt is projected to increase to approximately 68% of GDP in 2024 and 69% in 2025.[78] Since then, Israel has issued multiple additional tranches of military-related debt and stretched emergency budgets. Meanwhile, Reuters reports that Israel's military spending in 2024 raised the debt burden to 69% of GDP, up from 61.3% in 2023, largely driven by accelerated government borrowing.[79] These shifts emphasize how financing demands of ongoing conflict are straining Israel's fiscal sustainability as deficit pressures and security outlays expand. Analysts and credit agencies have warned that this approach, issuing new debt to service existing obligations and fund military expenditures, magnifies systemic risk. In February 2024, Moody's downgraded Israel's credit rating to A2 and then Baa1, citing "material political and fiscal risks" tied to war expenditure as part of its rationale.[80] This move reflects growing concern that Israel's bond program depends more on investor confidence and continued issuance than on stable growth fundamentals. For fiduciaries, these developments underscore the precariousness of relying on sovereign instruments increasingly exposed to political, revenue, and rollover shocks.

3. Sovereign and Credit Risks

A key dimension of risk associated with continued or expanded investment in Israeli sovereign and diaspora bonds stems from credit rating agency actions over the past 18 months, which reflect not only heightened geopolitical risk but also deteriorating fiscal metrics linked to prolonged conflict and economic pressures. In 2024 and 2025, global credit agencies including Moody's, Fitch, and S&P revised Israel's credit outlook downward, with Moody's lowering its long-term sovereign credit rating to Baa1 with a negative outlook and Fitch downgrading Israel from A+ to A, also assigning a negative outlook.[81] These actions signal increased risk relative to historical benchmarks for Israeli debt, and the risk premium associated with this sovereign debt has widened as a result.

This downgrade cycle implies that Israel's cost of borrowing has increased relative to similar sovereign issuers, and affects the pricing and perceived stability, both of sovereign bonds and

---

[78] Bank of Israel. "Research Department Staff Forecast, October 2024." *Bank of Israel*, 30 Oct. 2024, https://www.boi.org.il/en/communication-and-publications/press-releases/research-department-staff-forecast-october-2024/

[79] "Israel's War Spending in 2024 Lifts Debt Burden to 69% of GDP." *Reuters*, 21 Jan. 2025, https://www.reuters.com/world/middle-east/israels-war-spending-2024-lifts-debt-burden-69-gdp-2025-01-21/

[80] "Moody's Downgrades Israel to A2, Maintains Negative Outlook." *Reuters*, 9 Feb. 2024, https://www.reuters.com/world/middle-east/moodys-downgrades-israel-a2-2024-02-09/

[81] "Fitch Cuts Israel's Credit Rating amid Rising Middle East Tensions." Reuters, 13 Aug. 2024, https://www.reuters.com/world/middle-east/fitch-cuts-israels-credit-rating-amid-rising-middle-east-tensions-2024-08-13/; S&P Global Ratings. Research Update: Israel Long-Term Ratings Lowered to "A" from "A+" on Heightened Security Risk; Outlook Negative. 1 Oct. 2024, https://www.maalot.co.il/Publications/SVR20241006101926.pdf

related instruments marketed to U.S. institutional investors, including states and municipalities.[82] Higher yields on downgraded bonds can create a narrative that the instruments are attractive only because of elevated risk, meaning that, while returns may appear higher relative to lower-risk alternatives, the underlying credit quality is perceived to be more precarious. Indeed, some analysts report that the interaction of downgrades and investor appetite has produced higher yields than typical sovereign bonds, underscoring the financial risk for public portfolios that allocate taxpayer resources to these instruments.[83] Israel's sovereign issuances have been priced at a premium over U.S. Treasuries, with recent offerings carrying spreads of 90 to 125 basis points over comparable U.S. government bonds.[84] In fixed-income markets, such yield spreads are understood as a risk premium—compensation for credit, geopolitical, and liquidity risk relative to a risk-free benchmark.[85]

Compounding financial risk is the pattern of issuing new liability instruments to meet existing obligations and cover wartime expenditures. Independent financial research has documented that the Israeli government dramatically accelerated sovereign bond issuances following the outbreak of major conflict in October 2023, raising tens of billions of dollars in additional public debt to finance expanded military activity and associated fiscal commitments.[86] These "war issuance" cycles can be characterized as rolling liabilities that effectively convert ongoing budget needs into long-term debt, increasing future obligations for both Israeli taxpayers and external investors.

While sovereign bonds and "Israel Bonds" marketed by the DCI remain technically investment grade, the linkage of new issuances to extraordinary wartime financing strategies raises questions about the sustainability and risk profile of these securities, particularly for risk-averse institutional fiduciaries.

The political and reputational dimensions of these investments have grown more acute as well. Advocacy campaigns such as those led by JVP have successfully spotlighted state and municipal divestment decisions, arguing that continued investment in Israel Bonds, which are (by design) direct loans to the Israeli Treasury used to support Israel's military budget, implicitly

---

[82] George, Libby, Karin Strohecker, and Steven Scheer. "Year of War Creates Cracks in Israel's Borrowing Strength." *Reuters*, 7 Oct. 2024, https://www.reuters.com/world/middle-east/year-war-creates-cracks-israels-borrowing-strength-2024-10-06/

[83] "Year of War Creates Cracks in Israel's Borrowing Strength." *Reuters*, 7 Oct. 2024, https://www.reuters.com/world/middle-east/year-war-creates-cracks-israels-borrowing-strength-2024-10-06/

[84] Scheer, Steven. "Israel Raises $6 Billion in First International Bond Offer Since Ceasefire." Reuters, 7 Jan. 2026, https://www.reuters.com/world/middle-east/israel-raises-6-billion-first-international-bond-offer-since-ceasefire-2026-01-07/

[85] Ejsing, Jacob, et al. Liquidity and Credit Risk Premia in Government Bond Yields. ECB Working Paper Series No. 1440, European Central Bank, Mar. 2012, https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1440.pdf

[86] "War with Hamas Doubles Israel's Debt Raising in 2023." *Reuters*, 15 Apr. 2024, https://www.reuters.com/world/middle-east/war-with-hamas-doubles-israels-debt-raising-2023-2024-04-15/

support policies and military actions that are deeply controversial and widely contested. For example, recent victories in states like Michigan and North Carolina saw treasurers divest direct Israel Bond holdings, a shift that campaign organizers portrayed as both a financial and moral judgment that the Israeli sovereign bond strategy is no longer tenable for public pension systems.

From a political standpoint, these reputational pressures can cascade into broader governance risk for public institutions. Elected officials overseeing public pension funds face intensifying scrutiny from constituents, activists, and the media over whether sovereign bonds linked to foreign governments, particularly those engaged in ongoing conflicts, align with fiduciary standards of prudence and the ethical frameworks of public investment. Public reports have already highlighted debates within the New York City pension and treasury landscape, where past practice of reinvestment in Israeli bonds has become a contested issue in electoral politics and public discourse.

Taken together, these credit downgrades, issuance practices, and reputational critiques combine to create a multidimensional risk profile that must be carefully weighed by institutional investors. Beyond narrow yield considerations, trustees and fiduciaries must assess how evolving perceptions of creditworthiness, coupled with heightened public political scrutiny and potential moral hazard perceptions, could affect not only portfolio performance but also public confidence and institutional legitimacy.

VI. Divestment from Israel Bonds Does Not Constitute Discrimination on the Basis of Nationality

Promoters and defenders of U.S. state and municipal investments in Israel Bonds may argue that divesting from Israel Bonds is discriminatory against Israel and constitutes a boycott against the State of Israel. As this memorandum explains, divesting from Israel Bonds does not constitute any form of discrimination and does not purport to boycott Israel Bonds. Refusing to hold a sovereign debt instrument issued by a government found by the ICJ AND UNGA to be maintaining an unlawful situation, including apartheid and illegal occupation, is not nationality-based discrimination. It is a conduct-based compliance measure directed at state action, not at persons or identity. Divestment is a conduct-based compliance measure directed at a sovereign financial instrument, not at persons or identity, and it reflects the application of fiduciary and international-law duties of non-recognition and non-assistance. I

Were New York State to advocate for or implement a boycott of Israel, however, such a boycott would constitute protected speech. This does not rest on the premise that a state itself possesses “First Amendment rights.” Rather, U.S. constitutional law recognizes that politically motivated boycotts are protected expressive activity for those subject to regulation, and that government action in its proprietary and policy-setting capacity may adopt value-laden positions without infringing the Constitution. U.S. constitutional law has long recognized politically motivated boycotts as protected expressive activity, and courts have repeatedly enjoined laws that penalize or compel the repudiation of such conduct.[87] The relevant constitutional question is therefore not whether a state "has" free-speech rights, but whether a state decision to refrain from transacting violates anyone else's rights. It does not. A state acting in its proprietary and fiduciary capacity may choose not to transact with a foreign sovereign without infringing any constitutional right. Accordingly, even if mischaracterized as a "boycott," a decision to refrain from purchasing or holding Israel Bonds raises no First Amendment infirmity and cannot be equated with nationality-based discrimination.

VII. Conclusion and Recommendations

The analysis set out in this memorandum demonstrates that investments in Israel Bonds present a converging set of risks that extend well beyond ordinary sovereign debt exposure. These risks arise at the intersection of evolving international legal obligations, heightened scrutiny of state and institutional complicity in serious violations of international law, growing democratic legitimacy concerns, and material financial and reputational pressures. Taken together, these factors create a risk environment in which continued or expanded investment in Israel Bonds is inconsistent with the duties of prudence, loyalty, and care owed by public officials and institutional fiduciaries to beneficiaries and the public.

In light of this risk profile, state officials and institutional investors should carefully reassess existing Israel Bonds holdings and, where appropriate, suspend new purchases or pursue divestment pending further legal, financial, and policy review. Such reassessment is particularly warranted where investments are made using public funds or pension assets, and where institutions have adopted policies emphasizing responsible investment, human rights considerations, or alignment with environmental, social, and governance principles. A proactive approach to risk management in this context can reduce potential exposure to litigation, regulatory scrutiny, and long-term reputational harm.

Aligning investment policies with international law, fiduciary responsibility, and democratic accountability serves not only as a safeguard against legal and financial liability but also as an affirmation of ethical governance. By ensuring that public investments do not contribute to or appear to legitimize conduct that is widely contested under international legal standards, institutions reinforce public trust, uphold the integrity of democratic oversight, and demonstrate responsible stewardship of public resources. Such alignment is increasingly essential in an

---

[87] In NAACP v. Claiborne Hardware Co., 458 U.S. 886 (1982). Library of Congress https://tile.loc.gov/storage-services/service/ll/usrep/usrep458/usrep458886/usrep458886.pdf , the United States Supreme Court affirmed that politically motivated boycotts are a form of protected speech and association under the First Amendment. In *Federal Trade Commission v. Superior Court Trial Lawyers Association*, 493 U.S. 411 (1990), https://supreme.justia.com/cases/federal/us/493/411/ the Court reiterated that political boycotts "occupy the highest rung of the hierarchy of First Amendment values" even when they involve economic consequences.

environment where financial decision-making is inseparable from legal compliance, institutional legitimacy, and public confidence.