The Approval of the Israel Bonds Prospectus in Luxembourg:

Legal Risks, International Obligations, and the Role of the CSSF

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Executive Summary

Background. On 1 September 2025, the Commission de Surveillance du Secteur Financier (CSSF) approved a prospectus for the state of Israel's sovereign bond issuance programme, following the transfer of the prospectus from the Central Bank of Ireland (CBI) under Article 20(8) of Regulation (EU) 2017/1129. The transfer was prompted by sustained parliamentary and civil society opposition in Ireland to the CBI's facilitation of Israeli sovereign bond sales, which opponents linked to the financing of a genocide in Gaza. The CSSF issued approval without prior consultation with the Ministry of Foreign and European Affairs, writing to Deputy Prime Minister Xavier Bettel only on 15 September 2025 to request the government's opinion.

The Issue. Israel Bonds, issued through the Development Corporation for Israel (DCI), are not standard sovereign debt: they are structurally illiquid, non-negotiable, and marketed directly to retail investors, religious organisations and municipal funds. Proceeds are unrestricted *"general financing"*, flowing into Israel's treasury at a moment when military consumption has risen from roughly 20% to over 30% of government consumption and the deficit has reached 6.8% of GDP. Israel's own marketing *"Stand with Israel. Israel is at War"* explicitly links the bonds to financing war time operations. These operations are the subject of three ICJ provisional measures orders finding a plausible risk of genocide, a threshold that triggers the duty to prevent under Article I of the Genocide Convention for all third states, Luxembourg included, regardless of any final judgment on the merits. CSSF approval of a prospectus that fails to adequately disclose the material risks arising from these operations constitutes a failure of both investor protection and Luxembourg's broader duty to prevent genocide.

Investor-Protection Concerns. Beyond the international-law dimension, the approval raises investor-protection concerns under the Prospectus Regulation itself. The DCI marketing systematically obfuscates the risks disclosed in the legal prospectus, generating a "patriotic premium" that suppresses Israeli secondary-market yields (3.96%) far below comparable wartime yields (Ukraine 1-year: 25.05%; Russia 10-year: 14.60%) and transfers unpriced sovereign risk onto retail and municipal investors. Investor returns may further engage the expanded Luxembourg money-laundering framework under the Law of 12 December 2025, which now treats every crime as a predicate offense raising the prospect of confiscation where returns are tied to internationally unlawful conduct.

International Legal Framework. Luxembourg's exposure arises from several converging obligations:

- The ICJ's three provisional measures orders in South Africa v. Israel (January, March, May 2024), each affirming the plausibility of the rights asserted under the Genocide Convention;
- The ICJ Advisory Opinion of 19 July 2024 imposing obligations of non-recognition, non-assistance, and cooperation to end Israel's unlawful occupation;
- Article I of the Genocide Convention and the Bosnia v. Serbia (2007) duty to prevent, triggered by serious risk; and Article 16 of the ILC Articles on State Responsibility (aid or assistance in internationally wrongful acts);
- Six UN General Assembly and two UN Security Council resolutions, all supported by Luxembourg.

Apartheid Precedent and Untenable Contradiction. The regulatory implications of this prospectus approval find a direct historical parallel. Between 1967 and 1975, Kredietbank Luxembourg extended approximately USD 625 million in loans to apartheid South Africa, while Euro currency loans to the regime were booked on the Luxembourg Stock Exchange. The international response culminated in the U.S. Comprehensive Anti-Apartheid Act of 1986, which explicitly prohibited the purchase of South African government debt securities. Today's framework is materially stronger, anchored in binding ICJ findings rather than accumulated political pressure. Furthermore, Luxembourg's formal recognition of the State of Palestine on 22 September 2025 affirms the State's official legal and diplomatic posture regarding this conflict. Providing the regulatory infrastructure through which Israel raises capital for military operations the ICJ has found plausibly amount to genocide creates an acute conflict between Luxembourg's established international legal obligations and its financial regulatory actions.

Reputational Risk and ESG Considerations. Luxembourg is Europe's largest ESG hub and has positioned itself at the forefront of sustainable finance. The Norway Government Pension Fund, whose exclusion list functions as a benchmark across the ESG community, has divested from companies linked to the unlawful occupation, while Luxembourg's own Fonds de Compensation remains invested in several companies listed on the OHCHR database of business enterprises supporting Israeli settlements. CSSF approval of the Israel Bonds prospectus places this positioning under significant reputational and political strain.

Recommendations. The following measures are recommended, to be implemented by the CSSF within its supervisory powers, in coordination with competent judicial authorities:

- Immediately suspend the bond issuance programme approved on 1 September 2025;
- Launch an urgent review of the bond issuance programme compliance with the Prospectus Regulation and applicable law;
- Require supplemental information and material under Article 23 of the Prospectus Regulation, given new factors and material inaccuracies affecting the assessment of the Israel Bonds;
- Decline to renew its approval upon expiry of the Israel Bonds' prospectus and refuse any subsequent transfer request from a third-country;
- Refuse to become "home member state" for Israel Bonds if requested to do so;
- Commission an independent legal study on Luxembourg's international-law obligations and existing supervisory tools;
- Adopt an internal review protocol for sovereign issuers presenting serious international-law risks;
- Notify ESMA and seek coordinated EU-level guidance to preserve the integrity of EU capital markets;
- At state level, consider national or EU restrictive measures to ensure Luxembourg's financial sector does not contribute to internationally wrongful conduct.

Contents

1 Structural features and regulatory assessment of Israel DCI Bonds

Israel Development Corporation for Israel ("**DCI**") bonds, commonly referred to as 'Israel Bonds', are debt securities issued by the State of Israel through the DCI to raise capital for national development and infrastructure projects. Although they are backed by the Israeli government, they differ from conventional sovereign bonds like US Treasuries or German Bunds. Rather than being auctioned publicly and traded on liquid secondary markets, Israel Bonds are sold directly through DCI, are generally non-negotiable, and are typically designed to be held until maturity[1].

The key distinction between Israel Bonds and standard sovereign debt lies primarily in their market structure and operational features rather than in underlying credit exposure. Conventional sovereign bonds are generally issued through public debt markets, admitted to trading on regulated exchanges or other eligible markets, and actively traded among institutional and retail investors. This gives them the characteristics typically associated with sovereign instruments, including transferability, secondary market liquidity, and transparent market-based pricing.

By contrast, Israel Bonds are generally distributed through a direct subscription model rather than public issuance channels. Most bond series are registered in the name of the holder and are not intended for active resale or circulation on secondary markets. As a result, investors are generally expected to hold the instruments until maturity. This structure limits transferability, reduces liquidity, and means valuation cannot typically rely on active market pricing in the same way as traditional sovereign bonds.

Although other states have issued so-called diaspora bonds, including India, Nigeria, and Ethiopia, these instruments have generally been structured either as conventional negotiable sovereign debt or as products offered primarily in domestic or regional markets. In this respect, Israel Bonds appear to occupy a relatively unusual position within the European regulatory landscape, combining sovereign backing with a direct distribution model, restricted transferability, and limited secondary market liquidity.

Within the European regulatory landscape, Luxembourg holds a pivotal position regarding the distribution of these instruments. The primary regulatory focus falls directly on the Commission de Surveillance du Secteur Financier ("**CSSF**"), which acts as the competent authority approving the prospectus for the European Israel Bonds programme. By granting this approval, the CSSF effectively serves as the gateway, authorizing the marketing and distribution of these structurally illiquid instruments across the European Union ("**EU**").

This direct distribution model creates a striking regulatory contrast when evaluated against Europe's standard retail protection frameworks. Because of their contractual non-transferability and complete lack of secondary market liquidity, Israel Bonds fail to meet the fundamental eligibility requirements of the Undertakings for Collective Investment in Transferable Securities ("**UCITS**") framework (specifically Article 41 of the Law of 17 December 2010).

The UCITS directive is the cornerstone of retail investor protection in Europe, designed specifically to guarantee liquidity, transferability, and risk mitigation. Consequently, a regulatory paradox emerges: while Israel Bonds are cleared for the European retail market via a CSSF-

[1] Israel Bonds, 'About Israel Bonds' (official issuer/distributor information)

approved prospectus, they fail to meet the UCITS eligibility criteria, the very framework regarded as the *'gold standard'* for retail investor protection.

Having established the unique structural and regulatory profile of DCI bonds, the remainder of this report focuses exclusively on these specific instruments. The subsequent sections evaluate their regulatory and fiduciary implications, particularly regarding their compatibility with international legal standards and the mandatory social safeguards required under the Luxembourgish regulatory framework.

2 Background

In September 2025, Luxembourg's financial regulator, the CSSF, approved a prospectus for Israel's sovereign bond issuance programme, thereby assuming the role of competent authority for that prospectus within the EU, while Ireland remains the "home member state" for the Israeli Bonds within the EU.

This development followed several months of political pressure in Ireland. Since 2021, the Central Bank of Ireland ("**CBI**") has acted as the EU competent authority responsible for approving Israeli bond prospectuses, a role assumed after the United Kingdom's withdrawal from the European Union. Under Regulation (EU) n. 2017/1129 (the "Prospectus Regulation"), non-EU sovereign issuers based in third countries must designate a EU Member State as their "home member state" and bonds must be approved by its competent authority in order to access European capital markets.[2]

On 1 September 2025, the prospectus approved by the CBI on 2 September 2024 reached the end of its 12-month validity period and the State of Israel requested the CBI to transfer the 2025 prospectus to the CSSF. The CBI approved the transfer of this function in accordance with Article 20(8) of the Prospectus Regulation but had no role in the review or approval of the subsequent 2025 prospectus, which was carried out independently by the CSSF.

The 2025 prospectus explicitly states that it was approved by the CSSF as a competent authority under the Prospectus Regulation. As required under EU law, such approval relates solely to the prospectus' compliance with standards of completeness, consistency, and comprehensibility, and does not constitute an endorsement of the issuer or the securities. The prospectus is valid for a period of twelve months from its date of approval.

According to its terms, the net proceeds of the bonds are intended for the general financing purposes of the State of Israel.

The transfer of the Israel Bonds Issuance Programme occurred in a context of mass opposition and political and public scrutiny in Ireland, where lawmakers and civil society organizations had called on the CBI to stop facilitating the issuance of those bonds in light of Israel's genocide in Gaza[3], which the ICJ has determined present a plausible risk of genocide requiring immediate provisional measures.

Luxembourg authorities have emphasized the institutional independence of the CSSF in this context, noting that the approval of a prospectus under the Prospectus Regulation is a technical assessment limited to formal disclosure requirements, and does not involve a substantive evaluation of the issuer's policies or activities. Public statements by the CBI similarly claimed that the decision to approve or refuse a prospectus rests with the competent authority designated for that purpose and is governed by EU law.

However, the CBI and the CSSF are organs of the state of Ireland and Luxembourg respectively. The duty of an organ of the state, in respect of genocide and international humanitarian law, is the exact same duty as that of the state; it must comply with the international legal norms and obligations.

[2] Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC

[3] Reuters, Israel Moves EU Approval for Diaspora Bond Sales to Luxembourg Amid Irish Opposition (Sept. 1, 2025)

The International Court of Justice ("**ICJ**") clarified in the Bosnia v Serbia case, in 2007, that a state is responsible for complicity if:

> *"its organs were aware that genocide was about to be committed or was under way, and if the aid and assistance supplied, from the moment they became so aware onwards, to the perpetrators of the criminal acts [...] enabled or facilitated the commission of the acts."*[4]

Furthermore, *"jus cogens"* norms, also known as peremptory norms, are recognized by the international community as binding to all states, without any derogation, and are primary compared to national and other international norms.

They stem from customary international law and treaty law. Examples of this type of norms include: prevention of genocide, torture, forcible displacement and other international crimes. Even if EU agreements allowed or, as argued, obliged Ireland and/or Luxembourg to authorize the sale of the Israel Bonds, the higher obligation of the Luxembourgish and Irish state is to prevent genocide, war crimes and crimes against humanity.

The CSSF decision to approve the prospectus has nevertheless attracted political and legal scrutiny. A legal opinion published by Law for Palestine concludes that Luxembourg's approval of the Israel Bonds prospectus may raise issues under international law, including obligations relating to the prohibition of aid or assistance in maintaining unlawful situations and the duty to prevent genocide, as interpreted in the 2024 advisory opinion of the ICJ.[5]

This decision raises fundamental questions about the intersection of financial regulation and international law – questions that warrant close examination in light of Luxembourg's international legal commitments.

[4] ICJ, Case concerning application of the Convention on the Prevention and Punishment of the Crime of Genocide (Bosnia and Herzegovina v. Serbia and Montenegro), Judgment of 26 February 2007 (Bosnia v Serbia), para. 432.

[5] Law for Palestine, 'Legal Opinion on Luxembourg's Hosting of Israeli Bonds' (Sep. 30th 2025)

3 Israel Bonds: Use of Proceeds to Facilitate the War Economy

Issuance of the Israel Bonds significantly increased in parallel with the Israeli armed assault on Palestine, with USD 8 billion bonds issued in March 2024 and USD 5 billion in February 2025[6].

Research[7] conducted by the Netherlands-based financial research group Profundo[8] found that sovereign bonds with a total value of USD19.4 billion issued by Israel between October 2023 and January 2025 were underwritten by seven investment banks. Moreover, Israel sold USD 6 billion of bonds[9] in a three tranche international debt offering in January 2026, underwritten by Bank of America, Citi, Deutsche Bank, Goldman Sachs and JP Morgan.

Additionally, sales of Israel Bonds by the DCI, the US underwriter of Israel Bonds, have exceeded USD 5 billion since October 2023.

DCI offers investors the possibility of allocating their return on investment to charitable organizations supporting the military and the colonies[10]. In December 2025, President and CEO of Israel Bonds, Dani Naveh[11] stated that *"for the third consecutive year, Israel Bonds has roughly doubled its typical annual sales prior to 2023."* Sales of Israel Bonds, by the DCI, promoted through their website[12] in the EU account for approximately 10% of this sales.

Between October 2023 and March 2025, EUR 417 million worth of bonds were sold in the EU, specifically in France, Germany, Austria, Belgium and Ireland, under approval by the CBI.

The Israel Bonds' prospectus discloses that proceeds fund the *"general financing purposes"* of the State of Israel.

There is no ring-fencing away from military expenditure. The absence of specific earmarking means that the bond proceeds are not restricted to designated civil projects; instead, they flow directly into the national treasury to support the broader government budget. The prospectus outlines the fiscal impact of the ongoing conflicts on Israel's economy, noting significant increases in security expenditures and a national deficit that reached 6.8% of GDP in 2024 (for more details, please refer to Annex I). By providing billions in unrestricted general liquidity to a government managing such elevated fiscal deficits, these un-earmarked bonds are not merely general state financing. They serve as a critical macroeconomic lever required to sustain a government burdened by surging military expenditures and a shrinking tax base.

This financial reality aligns directly with the state's own messaging.

The term *"war bonds"* derives from Israel's own marketing. In October 2023, the Israel Bonds website promoted its bonds with the slogan *"Israel is at War. Stand with Israel"*. This has recently been modified to *"Stand with Israel. Buy Israel Bonds. Now is the time."* In a video on the website, Israeli President Isaac Herzog calls the Israeli Bonds *"crucial during this time of conflict and war."*

In videos posted on the YouTube Channel Israeli Bonds, investors have been called to pur-

[6] Francesca Albanese, 'From economy of occupation to economy of genocide - Report of the Special Rapporteur on the situation of human rights in the Palestinian territories occupied since 1967' (June 16th - July 11th 2025)

[7] BankTrack, PAX & Profundo, 'Seven underwriters of "war bonds" instrumental in enabling Israel's assault on Gaza, new research finds' (Feb. 14th 2025)

[8] Profundo.nl, About Us

[9] Steven Scheer, 'Israel raises $6 billion in first international bond offer since ceasefire', Reuters (Jan. 7th 2026)

[10] Francesca Albanese, 'From economy of occupation to economy of genocide - Report of the Special Rapporteur on the situation of human rights in the Palestinian territories occupied since 1967' (June 16th - July 11th 2025)

[11] israelbonds.com, 'Israel Bonds Surpasses $2 Billion in Global Sales for Third Consecutive Year'

[12] israelbondsintl.com

chase those instruments as *"the most direct and impactful way to ensure Israel's resilience"* post October 7, 2023[13].

While the prospectus legal filing avoids specifying the exact use of proceeds, the state of Israel has promoted the subscription of its bonds as a tool to support operations that are currently subject to ICJ provisional measures, as prescribed by the Convention on the Prevention and Punishment of the Crime of Genocide (the "**Genocide Convention**").

Because these funds provide unrestricted liquidity without any ring-fencing, the issuer cannot guarantee that EU retail capital is not being deployed to facilitate operations subject to ICJ scrutiny. This lack of traceability constitutes an acute regulatory and anti-money laundering risk.

UN Special Rapporteur on the Situation of Human Rights in Palestine, Francesca Albanese, has explained in her report From the Economy of Occupation to the Economy of Genocide:

> *"As the main source of finance for the Israeli State budget, treasury bonds have played a critical role in funding the ongoing assault on Gaza"*[14].

After all, as clearly stated by Israel ministry of finance officials, the country would need to sell *"near-record amount of bonds"* to continue financing its war effort[15].

In June 2024, Dr. Irene Pietropaoli in an expert legal opinion, commissioned by Al-Haq Europe and SOMO, to examine the legal consequences of the ICJ's order for Third States and corporations stated that *"Some activities, such as the purchase of Israeli government bonds, which the Israeli State has relied on and encouraged to finance its war on Gaza, can make banks and other financial institutions complicit in genocide."*[16]

Using the same legal reasoning, it could be argued that allowing the Israel Bonds to be sold in the EU financial market might mean providing the state of Israel with a fundraising platform, whose earnings might be used in genocidal activities.

3.1 Israel's Transition to a War Economy: analysis of CBS National Account data (2019–2025)

Quarterly national accounts data from the Israeli Central Bureau of Statistics ("**CBS**") document a structural macroeconomic transformation from the fourth quarter of 2023 onward. The data reveals a severe contraction in civilian economic vitality, masked almost entirely by an unprecedented surge in state military expenditure.

As illustrated in Graph 1, government expenditure underwent a massive structural shift. The index chart plainly exposes this divergence: while civilian government consumption and private consumption remained entirely stagnant, the index for defence consumption exhibited a severe structural break, nearly doubling in a single quarter. Historically, defence consumption accounted for a stable average of approximately 20 per cent of total government consumption

[13] Israel Bonds (Youtube Channel), 'The Most Direct & Impactful Way to Support Israel' (Mar. 6th, 2025)

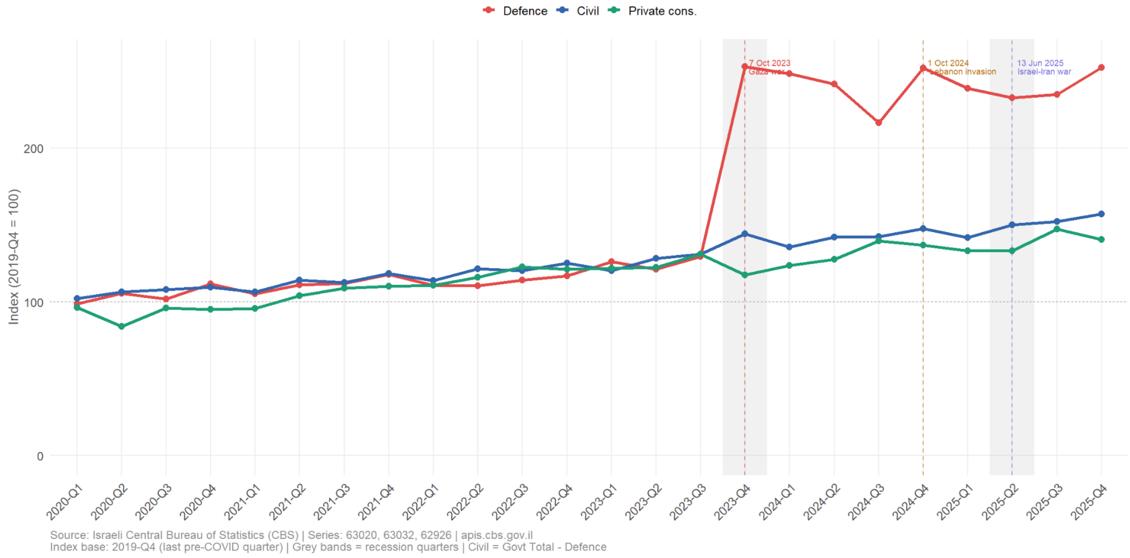
[14] Francesca Albanese, 'From economy of occupation to economy of genocide - Report of the Special Rapporteur on the situation of human rights in the Palestinian territories occupied since 1967' (June 16th - July 11th 2025)

[15] BankTrack, PAX & Profundo, 'Seven underwriters of "war bonds" instrumental in enabling Israel's assault on Gaza, new research finds' (Feb. 14th 2025)

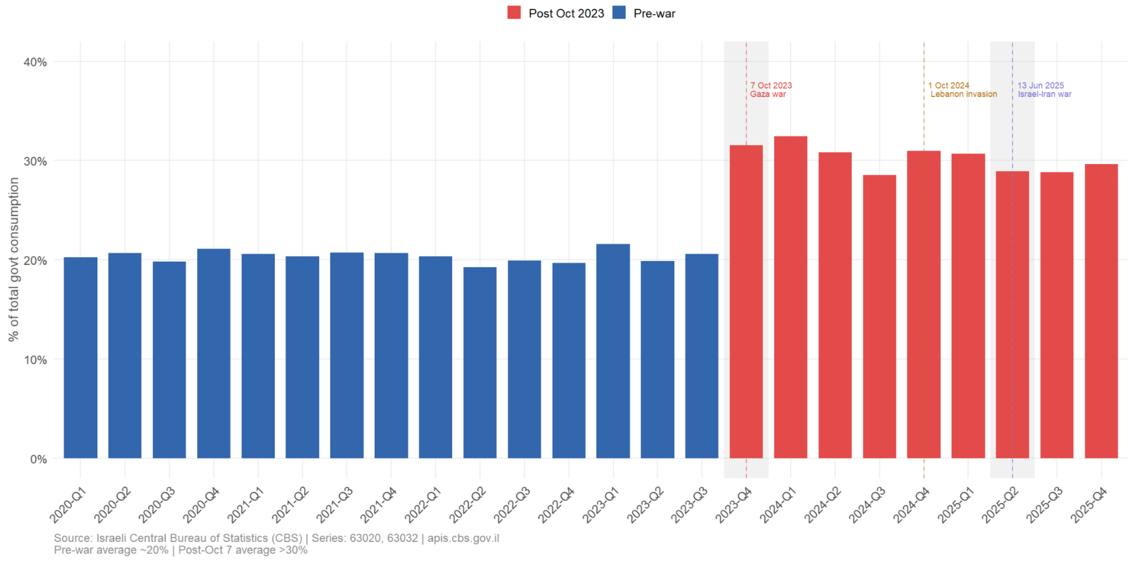
[16] Irene Pietropaoli, 'Obligations of Third States and Corporations to Prevent and Punish Genocide in Gaza' (June 5th, 2024)

(Graph 2). However, in Q4 2023, this proportion spiked abruptly to 31.5 per cent and remained structurally elevated near the 30 per cent threshold through 2025. This divergence illustrates a clear crowding-out effect as state fiscal capacity was rapidly reallocated away from civilian administration and toward military operations.

Graph 1: Government spending vs private consumption (index, 2019-Q4 = 100). Defence & civil government consumption (CBS 63020,63032) | Private final consumption (CBS 62926).

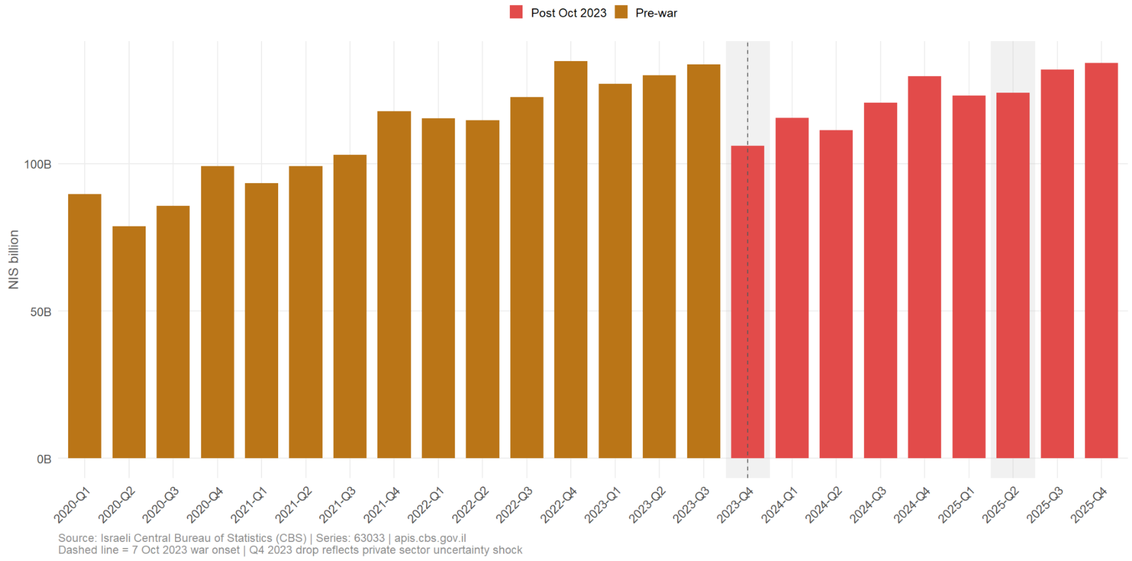


Graph 2: Defence as % of total government consumption. Quarter-on-quarter share of total Government consumption expenditure.

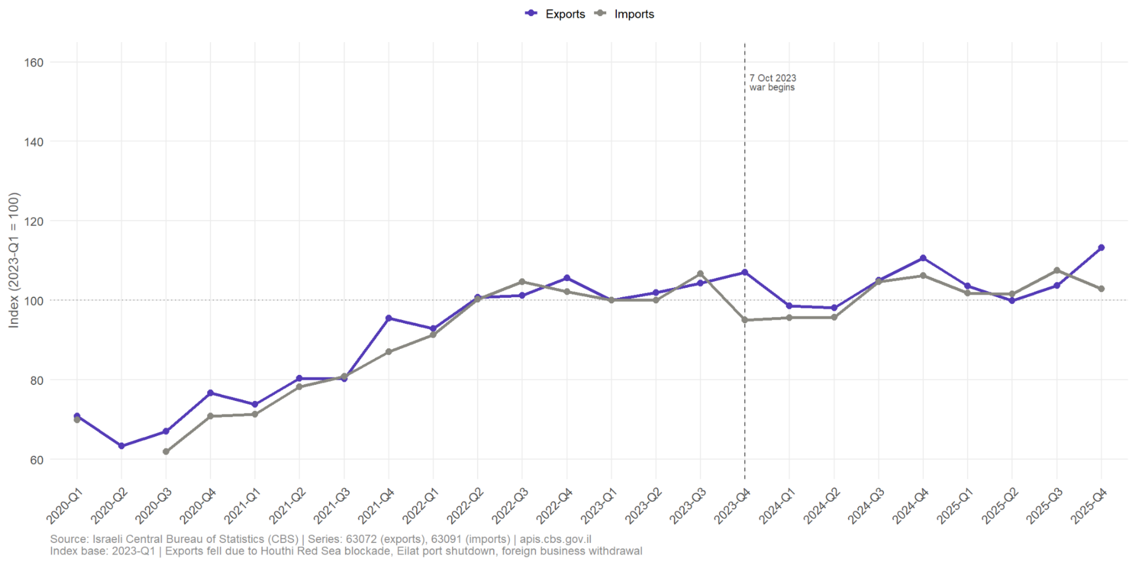


Graph 3 demonstrates the resulting contraction in private investment. Gross fixed capital formation ("**GFCF**") suffered a severe contraction immediately following the outbreak of hostilities. From its pre-conflict peak of 133.75 billion NIS in Q3 2023, overall investment stagnated for over two years, only marginally returning to that baseline at 134.15 billion NIS by late 2025. This persistent two-year failure to resume historical growth trajectories indicates that the conflict acts as a profound, structural deterrent to long-term private productive capacity.

Graph 3: Gross fixed capital formation (NIS billion, current prices). Investment in buildings, machinery and intellectual property products.



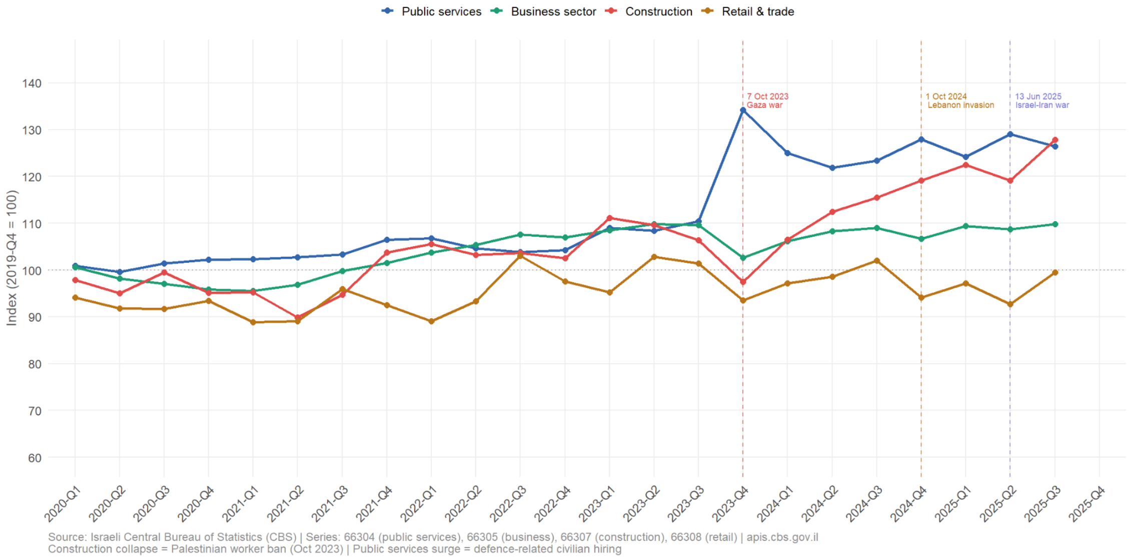
Graph 4: Exports and imports of goods & services (index, 2023-Q1 = 100). Both series indexed to 2023-Q1 (first quarter with complete data for both series).



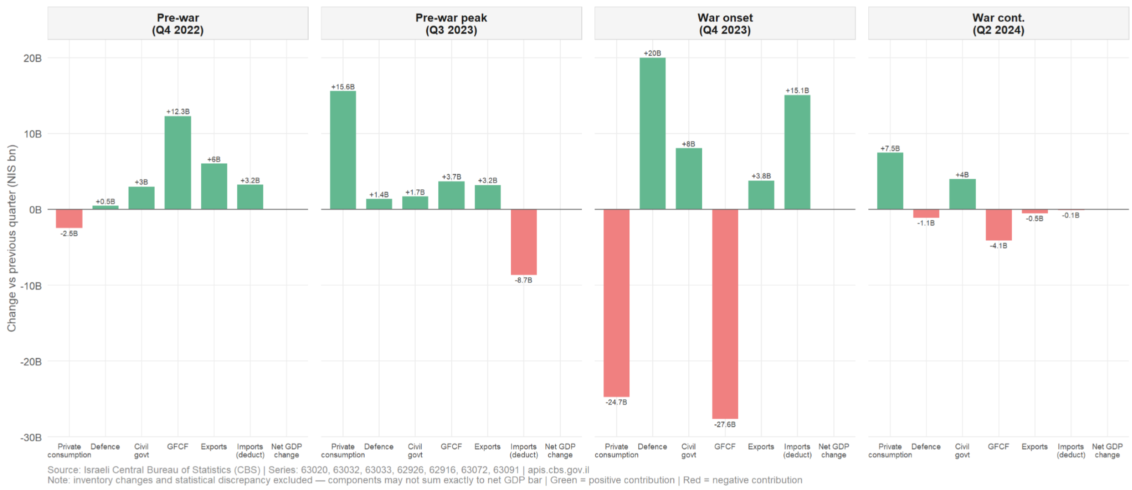
The external sector suffered simultaneous structural shocks, reflected in Graph 4. The export index (base Q1 2023 = 100) recorded a sharp decline from its pre-war peak, dropping to an index of 98 in early 2024 before exhibiting a prolonged period of stagnation. Given the heavy reliance of the Israeli economy on high-technology exports, the complete loss of its previous growth trajectory severely constrains both the current account and the government's organic fiscal revenue base. Imports exhibited a parallel compression driven by plummeting domestic civilian demand.

Sectoral employment data (Graph 5) further reveals the deep labour reallocation characteristic of a war economy. The construction sector experienced an acute initial shock due to the administrative withdrawal of Palestinian work permits, with its employment index plummeting from 106.3 to 97.4 in a single quarter (Q4 2023).

Graph 5: Employment by sector (index, 2019-Q4 = 100). Israeli employed persons | All sectors start at 100 - divergence reflects war reallocation.



Graph 6: GDP expenditure decomposition - quarter-on-quarter changes. C (private consumption) + G (govt) + I (GFCF) + (X-M)(net exports) = GDP | NIS billion QoO change.



While aggregate numbers eventually recovered through workforce replacement, the severity of this initial disruption paralysed capital-intensive civilian projects. Conversely, public services employment expanded dramatically, jumping from an index of 110.4 to 134.1 in that same quarter to manage the multi-front conflict and civilian displacement. This immense hiring surge reflects the rapid expansion of emergency healthcare, civil defence, and the bureaucratic administration required to manage internal displacement and wartime logistics.

Finally, quarter-on-quarter GDP decomposition (Graph 6) definitively isolate the state's reliance on war financing. In Q4 2023, private consumption, investment, and net exports all constituted a massive drag on economic growth. Although exports remained positive in absolute terms, a severe quarter-on-quarter drop in trade volume meant net exports mathematically dragged down the overall GDP growth rate. The sole material positive contributor to aggregate output was government defence expenditure. This structural dynamic has persisted, proving that sovereign liquidity raised during this period is not merely supporting "general" state functions. Instead, it is directly underwriting the macroeconomic deficit generated by an ongoing, systemic war economy.

3.2 Information asymmetry and the mispricing of sovereign risk

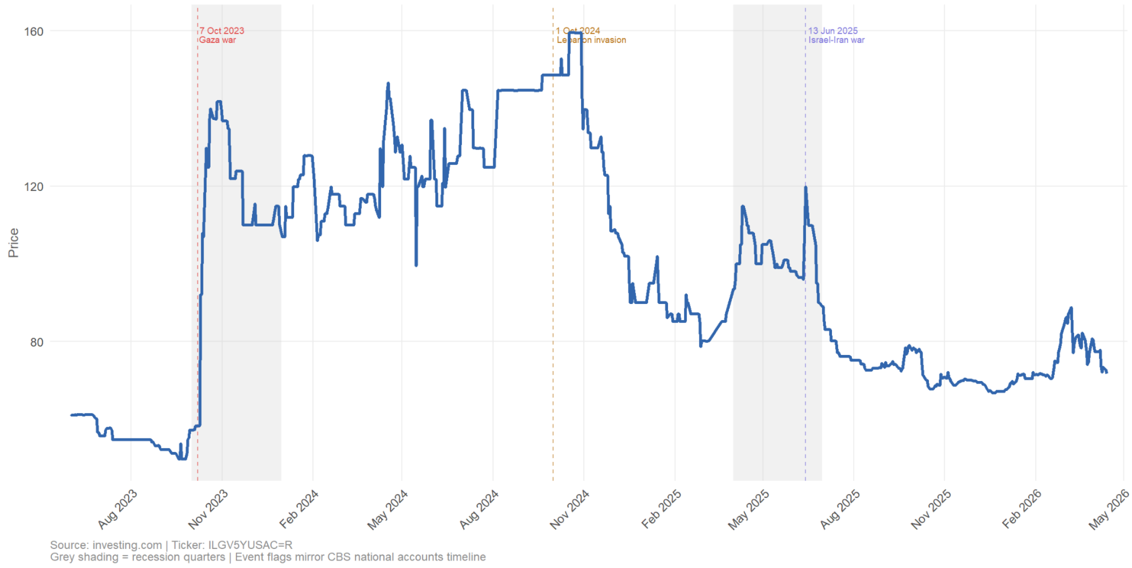
The structural deterioration of the Israeli macro economy detailed in the CBS national accounts raises critical compliance and investor protection concerns regarding how Israeli sovereign debt is marketed abroad. The strategy deployed by the DCI to market the Israel Bonds to retail investors, religious organisations, and Western municipal funds operates on a profound information asymmetry, effectively shielding a massive wartime deficit from institutional market discipline.

3.2.1 The divergence of institutional and retail risk assessment

The deep crisis within the Israeli war economy is an undisputed fact among institutional financial markets. In 2024, responding to the structural economic damage and surging fiscal deficits, all three major global rating agencies (S&P Global Ratings, Moody's Investors Service, and Fitch Ratings) downgraded Israel's sovereign credit rating, with Moody's enacting consecutive downgrades due to severely elevated geopolitical risk and delayed economic recovery[17].

This institutional flight from risk is explicitly quantified in the cost to insure Israeli sovereign debt against default, as illustrated in Graph 7.

Graph 7: Israel 5-Year government bond prices (USD). Daily price overview (June 2023 - Present) | Market response to geopolitical events.



[17] Moody's Ratings, 'Moody's Ratings downgrades Israel's ratings to Baa1, maintains negative outlook' (Sep. 27th, 2024)

The benchmark 5-year Credit Default Swap ("**CDS**")[18] spreads surged following the onset of the war. Prior to the conflict on 6 October 2023, the 5-year CDS spread sat at a stable 58.19 basis points (bps).

As institutional investors rapidly priced in the financial toll of a transition to a war economy, that insurance cost skyrocketed, breaching 141.8 bps by late October 2023 and spiking as high as 159.5 bps by late October 2024 during the Lebanon escalation. Recognizing the crowding-out of civilian investment and the state's total reliance on military expenditure, the institutional market correctly demands a significant risk premium to absorb Israeli debt.

Conversely, the DCI specifically targets a secondary tier of investors, retail buyers, religious organizations, and local public funds in the US and Europe. These entities typically lack sophisticated macroeconomic modeling capabilities. By bypassing the rigorous scrutiny of the institutional bond market, the state uses the DCI to secure artificially cheap liquidity. Relying on geopolitical marketing rather than transparent financial disclosures, this strategy effectively shifts the elevated, unpriced sovereign risk of the ongoing conflict onto the balance sheets of everyday investors and municipal funds.

3.2.2 The legal disclosures vs. retail exploitation

Standard financial compliance dictates that the marketing of debt instruments must accurately reflect the material risks associated with the issuer. However, the DCI's promotional campaigns systematically obfuscate the severe macroeconomic distress of the Israeli state. During debates in the Irish parliament (the "**Oireachtas**") in 2024 and 2025[19], lawmakers and legal scholars highlighted a glaring compliance contradiction. As noted in the parliamentary records, while the official legal prospectuses claimed the funds were for "general financing purposes" the DCI's consumer-facing marketing explicitly deployed slogans such as "Stand with Israel – Israel is at War" and featured statements lauding "the crucial role of Israel Bonds during this time of conflict and war".

To comply with financial regulations, the state of Israel does legally disclose the severe macroeconomic realities within its official United States Securities and Exchange Commission ("SEC") filings. In the "Risk Factors" section of its 2025 bond prospectus, the state of Israel explicitly warns investors of a 20.9% GDP contraction in the fourth quarter of 2023, surging budget deficits that reached 6.8% of GDP in 2024, severe labor market disruptions, and consecutive sovereign credit rating downgrades by S&P, Moody's, and Fitch.

However, the DCI explicitly bypasses this institutional scrutiny by targeting a secondary tier of investors. According to the DCI's own international corporate literature[20], *"retail clients – individuals and Jewish organizations – comprise approximately 75% of worldwide sales."* These everyday buyers and local municipalities rarely analyze dense, 45-page legal prospectuses.

Instead of foregrounding the severe structural risks acknowledged by the Treasury, the DCI's consumer-facing marketing actively obfuscates the crisis. While the legal prospectus warns of a severe economic contraction, the DCI website assures retail investors that they are buying into *"one of the world's most resilient economies"*, claiming the state is *"well-positioned to outpace most other developed nations"*. Furthermore, the DCI openly leverages geopo-

[18] investing.com, 'Israel CDS 5 Year USD (ILGV5YUSAC=R)'
[19] Cian O'Callaghan, 'Ending the Central Bank's Facilitation of the Sale of Israel Bonds: Motion', Dáil Éireann debate - Vol. 1068 No. 5 (Jun. 11th, 2025)
[20] Israel Bonds, 'About Development Corporation for Israel/Israel Bonds'

litical solidarity as a substitute for financial fundamentals, urging retail buyers to purchase bonds to send *"an unmistakable message to BDS advocates"* that the economy remains strong.

By utilizing marketing campaigns that appeal heavily to non-economic sentiment, the issuer distracts retail investors from material macroeconomic deterioration, thereby bypassing transparent, risk-adjusted market pricing.

Lastly, the Israel Bonds potentially present an additional risk aspect under anti-money laundering laws: considering that the Israeli occupation has been declared unlawful by the ICJ on 19 July 2024[21] and considering that the proceeds from the sales of these bonds are not earmarked for projects that are not linked to such an occupation, there is a possibility that the returns that investors will obtain from these bonds might be tied to an illicit activity.

In this regard, it is important to highlight that the Luxembourg Law of 12 December 2025 amending the Criminal Code and the Criminal Procedure Code redefined the definition of money laundering and clarified that every crime constitutes a predicate offense[22].

Thus, gains obtained by investors due to their subscription of the Israel Bonds might fall within the money laundering framework and could be subject to confiscation.

And indeed money laundering laws have been already used against companies for their involvement in profiting off Israel illegal occupation of the Palestinian territories: in November 2023, the Centre for Research on Multinational Corporations together with Al-Haq, the European Legal Support Centre, and The Rights Forum, filed a criminal complaint with the Dutch Public Prosecutor accusing the online platform Booking.com of laundering funds obtained from the commission of war crimes in the occupied Palestinian territories, arguing that by listing properties on stolen land, Booking.com was directly profiting from war crimes[23].

(The applicability of AML frameworks to the unlawful occupation is currently the subject of active criminal litigation before the Dutch Court of Appeal regarding the platform Booking.com. This establishes a live, systemic legal risk for any entity facilitating capital flows linked to these territories [24]).

3.2.3 Comparative transparency and historical precedent

The deliberate obfuscation of wartime financing becomes particularly stark when compared to contemporary international standards. Following the Russian invasion of Ukraine in 2022, the Ukrainian government issued explicit "War Bonds", providing transparent legal disclosures that the proceeds were specifically designated to fund the armed forces and sustain the wartime budget[25][26]. By contrast, the state of Israel masks its wartime borrowing behind the boilerplate prospectus language of "general financing purposes", depriving investors of the ability to accurately assess the legal, moral, and financial nature of their capital allocation.

The strategy of the DCI aligns with a well-documented macroeconomic playbook: the is-

[21] ICJ, 'Legal Consequences arising from the Policies and Practices of Israel in the Occupied Palestinian Territory, including East Jerusalem', (Jul. 19th, 2024)

[22] Arendt, 'Money laundering offence extended to all predicate offences' (Jan. 5th, 2026)

[23] SOMO (Centre for Research on Multinational Corporations), 'New UN report: a pathway for ending corporate complicity in Palestine', (Jul. 10th, 2025)

[24] SOMO (Centre for Research on Multinational Corporations), 'New UN report: a pathway for ending corporate complicity in Palestine. Court must decide on prosecution of Booking.com over money-laundering', (Apr. 9th, 2026)

[25] mindgineer.agency, Project for the Ministry of Finance of Ukraine

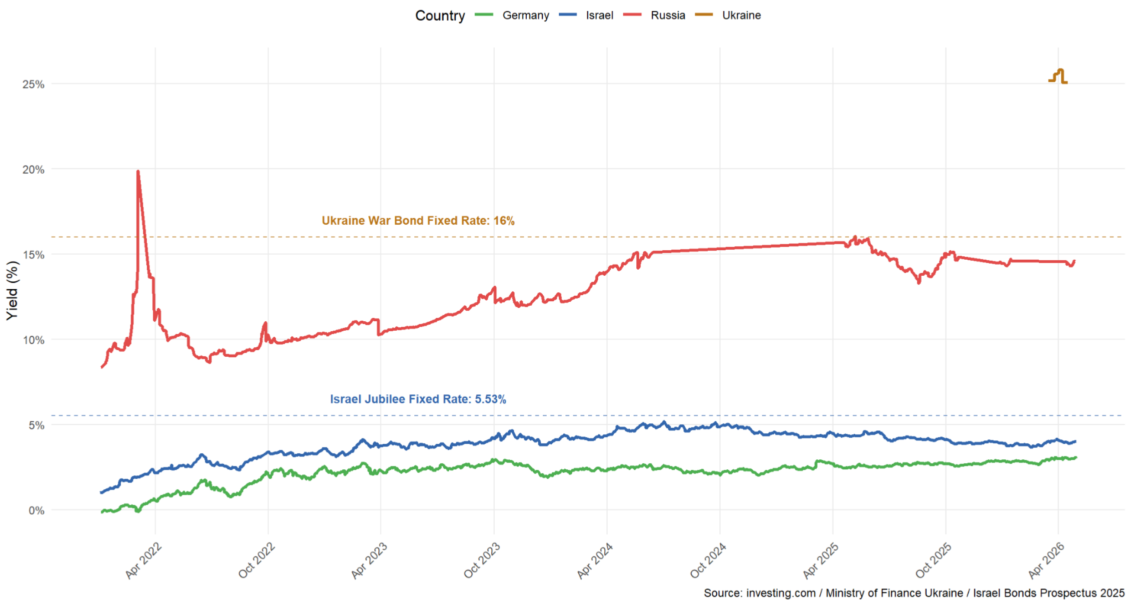
[26] CMS Legal, 'Invest to support Ukraine'

suance of "patriotic debt." Historically used to finance major war efforts, such as the American Liberty Bonds[27] of WWI, this practice seeks to insulate sovereign borrowing costs from international market volatility by leveraging the emotional and ideological capital of retail investors. During WWI, the U.S. government utilized aggressive social pressure and celebrity-backed "monster rallies" to convince the public that purchasing bonds was a moral duty rather than a financial decision. By framing the bonds as a "Liberty" instrument, the government successfully persuaded citizens to accept interest rates significantly lower than those demanded by institutional lenders for high-risk wartime debt. This created a "patriotic premium," where emotional loyalty effectively subsidized the state's military expenditures at the expense of the retail buyer's financial return.

3.2.4 Comparative yield analysis and the "Patriotic Premium"

While the state of Israel maintains the "general financing purposes" boilerplate in its DCI marketing, other conflict-affected nations are forced to face the raw discipline of the institutional markets.

Graph 8: Sovereign bond yield comparison: stable vs war economies. Daily secondary market yields (2022-2026) vs. designated 'War Bond' instruments.



To understand the degree of market bypass, it is instructive to compare the yield dynamics of Israel against a spectrum of risk profiles as of April 2026, as illustrated in Graph 8:

- **The stable baseline (Germany):** The German 10-year Bund[28] trades at approximately 3.01%. This represents the "risk-free" benchmark for a transparent, stable economy with institutional trust.
- **The war risk premium (Russia & Ukraine):** In high-intensity conflict zones, the institutional market demands extreme compensation. Russia's 10-year yield[29] has steadily

[27] Federal Reserve History, 'Liberty Bonds' (Apr. 1917 - Sep. 1918)
[28] investing.com, 'Germany 10-Year Bond Yield'
[29] investing.com, 'Russia 10-Year Bond Yield'

climbed to 14.60%, after spiking at nearly 20% after the start of the conflict, while Ukraine's 1-year yield sits at 25.05%. These double-digit figures represent the "true price" of financing a war when a country is subject to institutional market discipline and transparent risk appraisal.

- **The Israeli anomaly:**[30] Israel occupies a unique position. Despite a 20.9% GDP contraction (Q4 2023) and a 6.8% deficit, its 10-year secondary market yield remains suppressed at 3.96%.

This discrepancy is driven by the DCI, which facilitates a "Patriotic Premium". While the institutional market correctly prices in this risk (evidenced by the 159.5 bps CDS spread), the DCI bypasses this by selling directly to retail investors.

The contrast is most evident when comparing fixed wartime instruments. The Ukrainian War Bond ("UAH") offers a transparent fixed yield of 16.0% to compensate domestic investors for war risk. In contrast, the Israel Jubilee Fixed Rate Bond (10-year) offers just 5.53%. By leveraging emotional marketing to convince retail buyers to prioritize geopolitical solidarity over financial risk, the state of Israel effectively secures a "reliable pipeline" of capital. This strategy allows the state to underwrite a protracted war economy at rates that do not reflect the institutional reality, effectively transferring the unpriced sovereign risk to retail and municipal investors.

Aside from vastly underestimating the financial risk related to a war economy, the DCI's aggressive marketing and reliance on emotional marketing exposes retail investors in the potential event of sanctions being applied to the state of Israel. The spread in sovereign Russian bond yields pre/post Ukrainian conflict can serve to illustrate the magnitude of said risk.

[30] investing.com, 'Israel 10-Year Bond Yield'

4 Opposition in Ireland to the CBI's facilitation of the sale of Israel Bonds

On 2 September 2024, the CBI renewed[31] its approval of the Israel Bond Issuance Programme thereby enabling Israel to continue to raise funds in the EU through the sale of Israel Bonds.

Early warnings of the risk of genocide in Gaza were made on the 5th of October 2023 when over 800 genocide scholars and practitioners of international law signed a public statement[32] warning of the possibility of a genocide being perpetrated by Israeli forces against Palestinians in Gaza, and they were subsequently formalized in January 2024, when the ICJ confirmed the plausibility of the charge of genocide.

In January 2024, as further analyzed in this report, the ICJ confirmed the plausibility of the charge of genocide[33] against Israel for its actions in Gaza. In March 2024, as the ICJ issued further measures, Judge Yusuf[34] declared: *"the alarm has now been sounded by the Court. All the indicators of genocidal activities are flashing red in Gaza. An injunction has been served for ending the atrocities"*.

Under the Genocide Convention, Ireland is obliged[35] from the moment the risk of genocide is known to *"act with whatever capacity it has to prevent genocide"*. This obligation applies to organs of the state[36].

The CBI, as the sole gateway into the EU markets for the Israel Bonds, had the capacity to stop the raising of funds which could have been contributing to the genocidal activities in Gaza. Nevertheless, the CBI choose, in violation of its obligations under international law, to approve a prospectus[37] to raise funds for "*the general purposes*" of the state of Israel, thereby providing direct macroeconomic liquidity to a government currently executing operations that the ICJ has found to include apartheid, illegal occupation[38] and plausible genocide, and subjected to provisional measures as prescribed by the Genocide Convention.

The prospectus referenced the decision of the Israel's Ministerial Committee for National Security Affairs *"to undertake military action, which resulted in drafting more than 300,000 reservists launching the war in Gaza"*.

Opposition to the CBI's enabling role in Israel's fundraising through the sale of the Israel Bonds developed quickly in Ireland, directed at both the CBI and the Government, with protests organized by the Ireland Palestine Solidarity Campaign ("**IPSC**")[39] and by civil society at large. This sustained domestic opposition illustrates the severe legal and reputational contagion that competent authorities invite when facilitating these instruments.

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[31] The Ditch, 'Central Bank of Ireland renews agreement to facilitate sale of Israeli 'war bonds" (Sep. 5th, 2024)

[32] TWAILR, 'Public Statement: Scholars Warn of Potential Genocide in Gaza ' (Oct. 17th, 2023)

[33] ICJ, 'Case: 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 26 January 2024

[34] ICJ, 'Case: Application of the Convention on the Prevention and Punishment of the Crime of Genocide in the Gaza Strip (South Africa v. Israel)' - Declaration of Judge Yusuf

[35] Irene Pietropaoli, 'Obligations of Third States and Corporations to Prevent and Punish Genocide in Gaza' (June 5th, 2024)

[36] UN, 'Responsibility of States for Internationally Wrongful Acts'

[37] Central Bank of Ireland, 'STATE OF ISRAEL - Bond Issuance Programme'

[38] ICJ, 'Case: Legal Consequences arising from the Policies and Practices of Israel in the Occupied Palestinian Territory, including East Jerusalem' - Advisory Opinion of 19 July 2024

[39] Instagram of Ireland Palestine Solidarity Campaign (IPSC)

Local Councils from Dublin City[40] to Kerry[41] demanded an end to the approval by the CBI of the Israel Bonds. The Irish Congress of Trade Unions[42] at its congress in July 2025, called on the Irish Government *"to end the facilitation of 'genocide bonds' by the Irish Central Bank"*.

Legal experts[43], political representatives, members of the Joint Committee on the Israeli Bonds Programme, civil society organisations, artists[44] and ordinary people have also called for an end to the approval of the Israel Bonds by the CBI.

The IPSC, through its lawyers, submitted a criminal complaint to An Garda Síochána[45] concerning the CBI's decision to facilitate the sale of Israeli government bonds[46], which are allegedly being used to fund a campaign of genocide in Gaza.

Additionally, the Sinn Féin presented the Restrictive Financial Measures (State of Israel) Bill 2025 to introduce national restrictive measures that would enable the Irish government to act to end the CBI's facilitation of the sale of the Israeli state's bonds in the EU markets[47], while the Social Democrats submitted an emergency motion demanding an immediate end to the facilitation of the Israel Bonds[48].

Both proposals were supported by the Labour Party, People before Profit, the Green Party, the Social Democrats and Sinn Féin, yet defeated.

4.1 Joint Committee Report of the Israeli Bonds Programme

The questions Luxembourg now faces are not new. Ireland's democratic institutions worked through them in detail before the prospectus was transferred, and the framework they produced might be directly applicable to the case at hand.

In 2025, acting as a peer democratic oversight body, the Joint Committee on Finance, Public Expenditure, Public Service Reform and Digitalisation, and Taoiseach[49] (the "**Joint Committee**"), chaired by Deputy Mairéad Farrell, undertook an in-depth examination of the Israel Bonds. It held two public sessions and met with officials from the CBI on 11 June 2025[50] and with representatives of the IPSC, as well as with international law expert Dr. Munir Nuiseibah of the Al Quds University in Jerusalem on 18 June 2025[51].

40 Ireland Palestine Solidarity Campaign (IPSC), 'Dublin City Council Unanimously Calls on the Central Bank of Ireland to Stop Funding Israel's Genocide' (May 13th, 2025)

41 Instagram of Ireland Palestine Solidarity Campaign (IPSC)

42 Irish Congress of Trade Unions, 'Composite Motion One: PALESTINE'

43 academiaforpalestine.org, 'Legal academics call on the Central Bank of Ireland to block sale of Israel Bonds' (Aug. 28th, 2025)

44 Instagram of Ireland Palestine Solidarity Campaign (IPSC)

45 Ireland Palestine Solidarity Campaign (IPSC), 'IPSC lodges criminal proceedings against Central Bank officials for complicity in Israel's genocide' (Apr. 1st, 2025)

46 RTE, 'Makhlouf defends facilitation of sale of so called Israeli 'war bonds'' (Oct. 9th 2024)

47 Deputy Pearse Doherty, 'Restrictive Financial Measures (State of Israel) Bill 2025: Second Stage' - Dáil Éireann debate - Vol. 1068 No. 1 (May 27th, 2025)

48 Harry McGee (Irish Times), 'Opposition tables second motion to ban Central Bank role in approving Israeli bonds' (Jun. 9th, 2025)

49 A Joint Committee is a group of Members of the Oireachtas chosen by both Houses of the Oireachtas. The Joint Committee on Finance, Public Expenditure and scrutinises the work of the Department of Finance, the Department of Public Expenditure and Reform and the Department of the Taoiseach

50 Houses of the Oireachtas, 'Joint Committee on Finance, Public Expenditure, Public Service Reform and Digitalisation, and Taoiseach debate' (Jun. 11th, 2025)

51 Houses of the Oireachtas, 'Joint Committee on Finance, Public Expenditure, Public Service Reform and Digitalisation, and Taoiseach debate' (Jun. 18th, 2025

The subsequent report on the Israeli Bond Programme[52], published on 5 August 2025, stated that *"it is not in Ireland's best interest to hold these prospectuses as it further assists the financing of Israel's violations of human rights and contraventions of international law"*. It affirmed the obligation of the CBI to comply with international law. Eleven of its fifteen recommendations relate to the obligations of the CBI under international law, and EU law, and recommend due diligence in respect of these obligations.

The report also emphasized that *"the assertion made by representatives of the Central Bank around the non-application of the Genocide Convention may have been ill-founded"*.

The Joint Committee was, the report concluded *"united in the position that the Central Bank of Ireland should desist insofar as is possible from the facilitating of Israeli bonds"*. Crucially the report called for an end to the facilitation of the Israel Bonds. This clearly covers transfer as well as direct approval. One of the recommendations called for the CBI to implement *"all possible steps available to it to suspend the offer of the prospectus under obligations to 'prevent trade or investment relations that assist in the maintenance of the illegal situation created by Israel in the Occupied Palestinian Territories' as outlined in the ICJ opinion of July 2024."*

4.2 Transfer of the Israel Bonds Issuance Programme to the CSSF

Even though the CBI transferred, on the request of Israel, the Israeli Bonds Issuance Programme to the CSSF prior to 1 September 2025, Ireland remains the "home member state" within the EU for the Israel Bonds while the CSSF operates as a competent authority of Ireland for the purposes of the transferred prospectus, as per the Prospectus Regulation.

The choice of "home member state" for third countries rests on Article 2(m) of the EU Prospectus Regulation[53]. Issuers based in third countries, if the prospectus includes bonds of a value under EUR 1000 euro, choose their "home member state" once, and must apply to the home member state for either approval or transfer on an annual basis. Conversely, issuers with prospectus of bonds of a value over EUR 1000 euro can, in some circumstances, seek a new "home member state".

The Israel Bonds Issuance programme currently, and traditionally, contains bonds under EUR 1000 euro. Prior to September 2025, facing a possible refusal by the CBI to approve its prospectus, Israel sought a transfer of its bonds from Ireland to ensure access to EU markets. It is possible that, faced with continuing opposition in Ireland to the role of the CBI in enabling the sale of Israel Bonds, either through approval or transfer, that the DCI will abandon its traditional bonds under EUR 1000 euro.

[52] Houses of the Oireachtas, 'Joint Committee on Finance, Public Expenditure,Public Services Reform and Digitalisation, and Taoiseach' - Report on the Israeli Bond Programme (Aug. 2025)

[53] Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, Article 2(m)(ii), available at EUR-Lex (CELEX:02017R1129). See also ESMA Single Rulebook, Article 2 Definitions, available at esma.europa.eu.

5 National Competent Authority ('NCA') under the Prospectus Regulation

As per article 31 of the Prospectus Regulation, each Member State must designate a NCA to carry out the duties deriving from such Regulation and in the case of Luxembourg, the CSSF has been designated as such.

One of the tasks of any NCA under the Prospectus Regulation is to ensure that all the documentation and information required under this legislation are duly submitted by the instrument's issuer and that they are compliant with the standards of completeness, consistency and comprehensibility as set out under the legislation.

Regarding the standard of completeness, in the current prospectus, approved by CSSF, there is one mention of genocide:

> *"On December 29, 2023, South Africa instituted proceedings against Israel in the International Court of Justice (the "**ICJ**"), requesting that the ICJ rule that Israel is violating the Convention on the Prevention and Punishment of the Crime of Genocide in the war in Gaza. The ICJ issued provisional measures on January 26, 2024, March 28, 2024, and May 24, 2024, relating to Israel's conduct in the war in Gaza and related reporting. The case is pending, and Israel maintains that it continues to act in full compliance with applicable law."*

While the South Africa case in front of the ICJ and the issuance of provisional measures is mentioned, it is far from a complete statement of the risk posed to investors, considering that there is no reference to how Israel is implementing those measures and what the consequences of lack of compliance with them might be.

This last aspect bears particular importance, since the ICJ on 24 May 2024 not only reiterated its orders issued on 26 January and 28 March 2024[54], urging Israel to immediately and effectively implement them, presumably due to Israel's lack of action, but added new ones such has the obligation for Israel to: i) halt its offensive and any other action in the Rafah governorate, ii) maintain open the Rafah crossing to allow the unhindered provision of basic necessities goods and iii) ensure access to the Gaza Strip of any commission of inquiry to investigate allegations of genocide.

As of the date of this report, Israel has implemented none of the provisional measures issued by the ICJ and thus, the claim included in the current prospectus approved by the CSSF that *"Israel maintains that it continues to act in full compliance with applicable law"* - in no way satisfies the requirement of completeness. Whatever Israel may claim or maintain, it is blatantly clear, and has been confirmed by the ICJ and the International Criminal Court ("**ICC**"), that Israel is not acting in compliance with international law.

Moreover, each NCA, and for the sake of this report the CSSF, must interpret and apply the Prospectus Regulation in accordance with the principles established by the Charter of Fundamental Rights of the European Union (the "**Charter**"); such Charter binds European institutions in all their actions and national authorities when implementing EU law.

Even though the Charter is specific to the European regulatory landscape, its principles entail

[54] ICJ, 'The International Court of Justice reaffirms its previous provisional measures and indicates new measures – Order of 28 March 2024 – Application of the Genocide Convention (South Africa v. Israel)'

"responsibilities and duties with regard to other persons, to the human community and to future generations".

While the approval of any prospectus by the CSSF does not imply any endorsement of its issuer, in this case the state of Israel, the CSSF, in applying the Prospectus Regulation, must ensure that such public offering is not in contrast with the rights protected by the Charter, first and foremost the right to dignity, life and integrity.

Considering that the state of Israel has been accused by the ICJ of conducting a plausible genocide and considering that ICC issued an arrest warrant towards current Israel Prime Minister for being *"allegedly responsible for the war crimes of starvation as a method of warfare and of intentionally directing an attack against the civilian population; and the crimes against humanity of murder, persecution, and other inhumane acts"*[55], it could be argued that the approval of the Israel Bonds is not compliant with the Charter and thus, with the Prospectus Regulation.

Moreover, even though the state of Luxembourg and not the CSSF is a direct signatory to the Genocide Convention, the latter authority is still bound to its core principles through customary international law, which is binding for all international actors.

It is important to highlight that NCAs can refuse to approve a prospectus when they have legal basis to do so, such as the existence of EU financial sanctions against the Israeli government or similar national restrictive measures.

The above implies that in the face of "political" decisions, the NCA can refuse a prospectus and more in general, can do so if it can cite valid arguments; as of today though, the CSSF did not publicly communicate whether the factors such as allegations of genocide and war crimes against the state of Israel have been considered, or at least assessed, as valid arguments before authorizing the sale of the Israel Bonds.

The above also implies that while the CSSF's mandate must operate within certain well defined limits, as it is the case for every NCA, either the EU or a specific member state, in our case Luxembourg, could, and based on the international legal framework illustrated in this report, should, take a "political" decision.

Indeed, as further demonstrated by paragraph 6.7 below, the state of Luxembourg should not adopt a passive stance and rely on the fact that the CSSF's mandate is by definition limited, but should, through imposing sanctions on Israel, provide clear guidance on how the CSSF should treat the bonds issued by a state accused of perpetrating a plausible genocide.

Even if the Prospectus Regulation allows or, as argued, obliges the CSSF and the CBI to authorize the sale, the higher obligation of the Luxembourg and Irish states stemming from peremptory norms is to prevent genocide, war crimes and crimes against humanity.

Lastly, it is rather difficult to argue that granting/providing an access to the EU financial markets to a state credibly accused of committing a genocide is not synonymous with providing aid and assistance to such state.

Moreover, several campaigns have successfully framed the Israeli bonds as incompatible with fiduciary duties and ethical governance and investments into these instruments might lead to a permanent loss of trust among investors and stakeholders, as, for the reasons already illustrated in this report, these bonds carry increasing financial, regulatory, and reputational

[55] ICC, 'Arrest warrant issued on 21 November 2024 for Benjamin Netanyahu'

risks that render them unsuitable for fiduciary-managed portfolios, such pension funds[56].

To conclude, the duties imposed on third states by international humanitarian law are clear and where States can regulate their own financial markets in order to avoid aiding the perpetration of international crimes, they must do so, and the approval of the Israel Bonds' prospectus is exactly one of those cases where the state of Luxembourg might run the immitigable risk of financing Israel internationally wrongful acts[57].

While neither the state of Luxembourg nor the CSSF would be responsible for the subscription of Israel Bonds by third parties, they nevertheless play a role in making these instruments available to European investors, especially retail ones.

[56] DAWN, 'Memorandum: Israel Bonds' (Jan. 2026)

[57] Law for Palestine, 'Key obligations of third States with respect to the economic activities sustaining -in whole or in part- the relevant internationally wrongful conduct by Israel' (Feb. 23rd, 2026)

6 The International Legal Framework

The legal framework is built on multiple, reinforcing pillars: the ICJ's provisional measures orders in South Africa v. Israel[58], the ICJ's advisory opinion of July 2024, the Genocide Convention, and a series of UN General Assembly and Security Council resolutions.

For a financial regulator, these pillars are not abstract international law: they represent binding obligations and any lack of compliance thereof could lead to severe escalating, and unpriced sovereign and macroeconomic risks that must be accurately disclosed to retail investors.

6.1 The ICJ's Provisional Measures: A Plausible Genocide

On 26 January 2024, the ICJ issued its first order of provisional measures in the South Africa v. Israel case. The ICJ found that it had prima facie jurisdiction and that at least some of the rights asserted by South Africa under the Genocide Convention, and that there was a real and imminent risk of irreparable prejudice to those rights. In light of these findings, the ICJ ordered Israel to:

- Take all measures within its power to prevent the commission of all acts within the scope of Article II of the Genocide Convention, including killing, causing serious bodily or mental harm, deliberately inflicting conditions of life calculated to bring about physical destruction, and imposing measures intended to prevent births;[59]
- Ensure, with immediate effect, that its military does not commit any such acts;
- Take all measures to prevent and punish direct and public incitement to commit genocide;
- Take immediate and effective measures to enable the provision of urgently needed humanitarian assistance;
- Preserve evidence related to genocide allegations;
- Submit a report to the ICJ within one month on the measures taken to give effect to the Order.

This was not a preliminary procedural ruling. The ICJ found, at the highest judicial level in the international system, that the acts committed against Palestinians in Gaza are capable of constituting genocide under the Genocide Convention.

6.2 Subsequent Orders of 28 March and 24 May 2024

On 28 March 2024, the ICJ indicated additional provisional measures, expressly noting the deterioration of the humanitarian situation in Gaza, including the spread of famine. The ICJ reaffirmed all previous measures and ordered Israel to ensure "without delay, in full co-operation with the United Nations, the unhindered provision at scale" of food, water, fuel,

[58] ICJ, 'Application of the Convention on the Prevention and Punishment of the Crime of Genocide in the Gaza Strip (South Africa v. Israel)' - Order of 26 January 2024 (Provisional Measures), para. 54

[59] ICJ, 'Application of the Convention on the Prevention and Punishment of the Crime of Genocide in the Gaza Strip (South Africa v. Israel)' - Order of 26 January 2024 (Provisional Measures), paras. 54 and 86

shelter, clothing, hygiene, sanitation, and medical supplies[60]".

On 24 May 2024, the ICJ further modified its provisional measures in response to developments in Rafah, following the displacement of approximately 800,000 Palestinians. By a vote of 13-2, the ICJ ordered Israel to "immediately halt its military offensive, and any other action in the Rafah Governorate, which may inflict on the Palestinian group in Gaza conditions of life that could bring about its physical destruction in whole or in part."[61]

Three separate orders from the world's highest court. Each found that the situation was worsening. Each reaffirmed the plausibility of the rights claimed by South Africa under the Genocide Convention and the gravity of the risk. Serious questions therefore remain as to Israel's compliance with those orders.

6.3 South Africa's Case Proceeds to the Merits

South Africa filed its memorial on 28 October 2024, comprising over 750 pages of text and over 4,000 pages of exhibits and annexes. The case is now proceeding beyond the provisional-measures phase toward a full hearing on the merits. Meanwhile, Amnesty International has concluded that Israel is committing genocide in Gaza. Human Rights Watch has concluded that Israeli authorities are responsible for acts of genocide and that the pattern of conduct may amount to the crime of genocide. Brazil has filed a declaration of intervention in the proceedings.

6.4 The Genocide Convention: Defining Genocide and the Duty to Prevent

Luxembourg is a party to the Genocide Convention. Article II of this convention defines genocide as any of a series of prohibited acts, such as killing members of a protected group, causing serious bodily or mental harm, or deliberately inflicting conditions of life calculated to bring about its physical destruction, committed with intent to destroy, in whole or in part, a national, ethnical, racial, or religious group as such.

A central element of this definition is the requirement of specific intent (*dolus specialis*), which distinguishes genocide from other serious violations of international law. As widely recognized in international jurisprudence and scholarship, this element makes genocide a particularly demanding legal threshold, requiring not only the commission of prohibited acts but also proof of an intent to destroy the protected group as such.

In parallel to judicial proceedings, a range of international non-governmental organisations and scholarly bodies have assessed the situation in Gaza against the above mentioned definition of genocide. In particular, organisations such as Amnesty International and Human Rights Watch have published legal analyses concluding that Israel conduct in Gaza may amount to genocide, or include acts capable of falling within the scope of the Genocide Convention. Similarly, the International Association of Genocide Scholars, has adopted a resolution stating that Israel's policies and actions in Gaza meet the definition of genocide,

[60] ICJ, 'Case: Application of the Convention on the Prevention and Punishment of the Crime of Genocide in the Gaza Strip (South Africa v. Israel)' - Order of 28 March 2024, operative para. 2(a)-(b)

[61] ICJ, 'Case: Application of the Convention on the Prevention and Punishment of the Crime of Genocide in the Gaza Strip (South Africa v. Israel)' - Order of 24 May 2024 In operative para. 1 the Court ordered Israel to 'immediately halt its military offensive, and any other action in the Rafah Governorate.'

under article II of the Genocide Convention[62].

The Genocide Convention further imposes an obligation on states not only to refrain from committing genocide, but also to prevent it. This obligation is autonomous and arises independently of a definitive determination that genocide has occurred. More precisely, in its judgment in Bosnia and Herzegovina v. Serbia and Montenegro (2007), the ICJ clarified that: *"A State's obligation to prevent, and the corresponding duty to act, arise at the instant that the State learns of, or should normally have learned of, the existence of a serious risk that genocide will be committed."* The ICJ further emphasized that the obligation to prevent is one of conduct, not of result, requiring states to employ all means reasonably available to them to prevent genocide, within the limits of their capacity to influence the relevant actors.

As a state party, Luxembourg is required to act in accordance with its obligation to prevent genocide within the limits of its capacity to influence the situation. This includes an obligation to exercise due diligence in ensuring that its actions, including those taken through its regulatory or institutional framework, are consistent with its international legal obligations.

While the scope of the duty to prevent is necessarily context-dependent, it may extend to situations in which a state's conduct could contribute, directly or indirectly, to activities giving rise to a serious risk of acts falling within the scope of the Genocide Convention.

In such circumstances, the existence of a serious risk, such as that identified by the ICJ at the provisional measures stage, may require states to assess with particular care whether their conduct could have the effect of facilitating or enabling such acts, and to take appropriate measures within their means to avoid such outcomes.

6.5 The ICJ Advisory Opinion of 19 July 2024: The Obligation of Non-Assistance

On 19 July 2024, the ICJ delivered an advisory opinion on the Legal Consequences Arising from the Policies and Practices of Israel in the Occupied Palestinian Territory[63]. The ICJ found that Israel's continued presence in the Occupied Palestinian Territory is unlawful and identified legal consequences for all states, including three core obligations:

1. An obligation of non-recognition, states must not recognize as legal the situation arising from Israel's unlawful presence;
2. An obligation of non-assistance, states must not render aid or assistance in maintaining the illegal situation[64];
3. An obligation to bring the illegal situation to an end, states must cooperate to achieve this.

This report argues that approving a prospectus that enables Israel to raise funds across the EU, funds used for the "general financing" of a state whose occupation has been declared unlawful,

[62] International Association of Genocide Scholars, Resolution on the Situation in Gaza

[63] ICJ, 'Case: Application of the Convention on the Prevention and Punishment of the Crime of Genocide in the Gaza Strip (South Africa v. Israel)' - Advisory Opinion of 19 July 2024

[64] ICJ, 'Case: Application of the Convention on the Prevention and Punishment of the Crime of Genocide in the Gaza Strip (South Africa v. Israel)' - Advisory Opinion of 19 July 2024. In Para. 278: 'All States are under an obligation not to recognize as legal the situation arising from the unlawful presence of Israel in the Occupied Palestinian Territory and not to render aid or assistance in maintaining the situation created by Israel's illegal presence.'

risks falling within the kind of assistance that the advisory opinion prohibits. In this context, the approval of a prospectus enabling a sovereign issuer to raise funds on European capital markets may give rise to legal considerations where such financing is intended for general state purposes. In particular, where funds are not earmarked for specific uses, their availability may contribute, directly or indirectly, to the maintenance of a situation identified as unlawful by the ICJ.

6.6 The Genocide Convention: The Duty to Prevent

Article I of the Genocide Convention[65] imposes not merely a prohibition on committing genocide, but a positive obligation to prevent it. The ICJ's landmark ruling in Bosnia v. Serbia (2007) established the legal standard:

> *"A State's obligation to prevent, and the corresponding duty to act, arise at the instant that the State learns of, or should normally have learned of, the existence of a serious risk that genocide will be committed"*[66].

The ICJ emphasized three critical points about this duty:

- It is triggered by serious risk, not by a final determination. The duty "does not mean that the obligation to prevent genocide only comes into being when perpetration of genocide commences; that would be absurd, since the whole point of the obligation is to prevent, or attempt to prevent, the occurrence of the act"[67].
- It is distinct from and broader than the prohibition on complicity. Complicity requires "full knowledge" and active assistance. The duty to prevent requires only awareness of serious risk and a failure to use available means.
- It is assessed by reference to a state's "capacity to influence" the perpetrator. A state that provides economic access or financial facilitation has clear capacity to influence and therefore a correspondingly greater duty to act[68].

Luxembourg's position is serious and difficult: the ICJ has found that it is plausible that Israel's acts may amount to the crime of genocide and Luxembourg is aware of those findings; through the CSSF, Luxembourg provides market access that enables Israel to raise funds.

On that basis, a substantial argument arises that Luxembourg has both the knowledge and at least some capacity to act. Whether the precise legal threshold for state responsibility is met would ultimately depend on the facts and on how a court characterizes the approval decision, but Article I of the Genocide Convention cannot be treated as irrelevant.

6.7 State Responsibility for Assistance: The ILC Articles

Article 16 of the International Law Commission's Articles on State Responsibility (the "**ILC Articles**") provides that *"a State which aids or assists another State in the commission of an inter-*

[65] United Nations, 'Convention on the Prevention and Punishment of the Crime of Genocide, adopted 9 December 1948'

[66] ICJ, Bosnia v. Serbia, Judgment of 26 February 2007. In para. 432: 'a State's obligation to prevent, and the corresponding duty to act, arise at the instant that the State learns of, or should normally have learned of, the existence of a serious risk that genocide will be committed.'

[67] ICJ, Bosnia v. Serbia, Judgment of 26 February 2007, para. 431.

[68] ICJ, Bosnia v. Serbia, Judgment of 26 February 2007, para. 430.

nationally wrongful act is internationally responsible for doing so" if it does so with knowledge of the circumstances and the act would be wrongful if committed by the assisting state itself.[69]

By providing the regulatory infrastructure to raise capital for a state whose operations are deemed internationally unlawful, the CSSF risks facilitating capital flows that breach the obligation of non-assistance. Luxembourg is aware, or should be aware, of the circumstances in which the funds are being raised. At a minimum, this creates a serious question under Article 16 of the ILC Articles that cannot be dismissed as legally remote.

6.8 UN Resolutions: The International Community Has Spoken Repeatedly

The ICJ rulings do not exist in isolation. They are reinforced by a sustained series of UN General Assembly ("**UNGA**") and Security Council ("**UNSC**") resolutions demanding a ceasefire and condemning the situation in Gaza:

- 27 October 2023: UNGA Resolution ES-10/21, adopted 121-14-44, calling for an immediate humanitarian truce and demanding compliance with international law.
- 12 December 2023: UNGA Resolution ES-10/22, adopted 153-10-23, demanding an immediate humanitarian ceasefire.
- 25 March 2024: UNSC Resolution 2728, adopted 14-0-1 (US abstaining), demanding an immediate ceasefire for Ramadan and unconditional release of all hostages.
- 10 June 2024: UNSC Resolution 2735, adopted 14-0-1 (Russia abstaining), welcoming the three-phase ceasefire deal and urging full implementation.
- 12 December 2024: UNGA Resolution, adopted 158-9-13, demanding an immediate, unconditional and permanent ceasefire, condemning starvation as a weapon of war, and supporting UNRWA.
- 13 June 2025: UNGA Resolution, adopted 149-12-19, demanding an immediate, unconditional and lasting ceasefire; condemning the use of starvation as a weapon of war; demanding unimpeded humanitarian access.

Luxembourg voted in favor of these resolutions, including those demanding a ceasefire, condemning the use of starvation, and demanding humanitarian access. However, through the CSSF, the state simultaneously provides the financial infrastructure that facilitates the funding of operations addressed by these resolutions.

This creates an acute regulatory misalignment. While these elements do not in themselves determine the legal characterization of Luxembourg's conduct, they contribute to the broader factual and legal context within which that conduct must be assessed, including in relation to the extent of Luxembourg's awareness of the situation and the concerns expressed at the international level.

[69] Articles on Responsibility of States for Internationally Wrongful Acts (2001), Article 16: 'A State which aids or assists another State in the commission of an internationally wrongful act is internationally responsible for doing so.'

6.9 Official Statements and the Assessment of Knowledge, Risk, and Third-State Obligations

In addition to judicial findings and United Nations resolutions, the broader public record forms part of the factual context within which third-state obligations under international law must be assessed[70].

This includes, inter alia, public statements by senior state officials, which may be relevant in evaluating both the existence of a serious risk and the knowledge available to third states at the relevant time.

Public statements by senior Israeli officials since October 2023 constitute a substantial and well-documented body of material in this regard. These include official declarations of a *"complete siege"*, statements indicating the denial or restriction of electricity, water, and fuel, language attributing responsibility to the population of Gaza as a whole, references framed in historical or existential terms, and statements concerning large-scale displacement and the future of the territory[71]. Such statements have been made by senior state organs,. including members of the executive and military leadership, and are therefore attributable to the state of Israel under international law.

International jurisprudence recognizes that, in the absence of direct evidence, intent may be inferred from a combination of conduct, policy, and official statements. In this sense, such statements may contribute to the evidentiary assessment of intent and the broader legal characterization of conduct when read together with developments on the ground. However, for the purposes of third-state obligations, their primary relevance lies not in establishing genocide as a matter of law, but in informing the assessment of knowledge and risk[72].

Under the doctrine articulated by the ICJ, the obligation to prevent genocide arises at the point at which a state knows, or should normally have known, of the existence of a serious risk of acts falling within the scope of the Genocide Convention[73].

Similarly, under the law of state responsibility, including Article 16 of the ILC Articles on State Responsibility, the assessment of aid or assistance turns in part on a state's awareness of the relevant circumstances.

In this context, the cumulative effect of judicial findings, United Nations resolutions, and publicly available statements by senior officials contributes to establishing that the situation in Gaza has been characterized, at a minimum, by a widely recognized and legally salient risk environment. This includes publicly articulated policies involving siege, deprivation of essential resources, collective attribution of responsibility, and large-scale displacement.

For Luxembourg, these elements are directly relevant to the assessment of its conduct. As a party to the Genocide Convention and as the jurisdiction whose financial regulator has approved the Israeli bonds' prospectus, Luxembourg is required to exercise due diligence in ensuring that its actions, including those taken through the CSSF, are consistent with its

[70] ICJ, 'Application of the Convention on the Prevention and Punishment of the Crime of Genocide (Bosnia and Herzegovina v. Serbia and Montenegro)' - Judgment of 26 February 2007. Rep 43, paras 373–376

[71] ICJ, 'Application of the Convention on the Prevention and Punishment of the Crime of Genocide in the Gaza Strip (South Africa v. Israel)'

[72] Mettraux, Guénaël, 'Establishing Genocidal Intent', International Crimes: Law and Practice: Volume I: Genocide (2019; online edn, Oxford Law Pro), accessed 20 Apr. 2026

[73] Marko Milanović, State Responsibility for Genocide, European Journal of International Law, Volume 17, Issue 3, 1 June 2006, Pages 553–604

international legal obligations. In circumstances where a serious risk of genocide has been identified and widely documented, and where that risk is reflected in both judicial findings and the broader public record, Luxembourg cannot assess its regulatory role in isolation from that context.

In particular, the approval of a prospectus enabling the state of Israel to raise funds on EU capital markets can be considered a form of regulatory conduct attributable to Luxembourg. Where such financing is intended for general state purposes and is not earmarked for specific uses, the surrounding factual and legal context becomes relevant to its assessment. The existence of a well-documented risk environment, combined with publicly available statements and judicial findings, may therefore require Luxembourg to assess with particular care whether its conduct could contribute, directly or indirectly, to the situation in question.

6.10 The Cumulative Weight of the Evidence

To summarize what the international legal system has established:

- The ICJ has, in three provisional-measures orders, found the rights claimed by South Africa under the Genocide Convention plausible and the risk of genocide acute;
- The ICJ has ordered measures aimed at preventing those acts mentioned in Article II of the Genocide Convention, enabling humanitarian assistance, and halting the Rafah offensive under specified conditions;
- The ICJ has declared Israel's occupation of the Palestinian Territories unlawful and imposed obligations of non-recognition and non-assistance on all states;
- The UN General Assembly has voted by overwhelming majorities — six times — to demand a ceasefire;
- The UN Security Council has adopted two ceasefire resolutions;
- Amnesty International has concluded that Israel is committing genocide in Gaza, while Human Rights Watch has concluded that Israeli authorities are responsible for acts of genocide and that the pattern may amount to genocide;
- The International Association of Genocide Scholars declared that Israel's policies and actions in Gaza meet the legal definition of genocide as per the Genocide Convention[74];
- The Genocide Convention imposes a duty to prevent genocide triggered by serious risk — a threshold this report argues has been met.

Against this backdrop, the issue is not only whether Luxembourg has a technical basis to approve the prospectus under the Prospectus Regulation. It is whether the CSSF can legally approve an instrument that actively obscures the severe macroeconomic and sanctions risks generated by this exact contradiction. By failing to price in the international isolation established by these UN resolutions and the ICJ, the current prospectus is fundamentally misleading to the European retail market, triggering the CSSF's supervisory duty to intervene.

[74] IGAS, 'Resolution on the Situation in Gaza'

7 The Apartheid Precedent: Financing an Oppression

The CSSF's approval of the Israel Bonds' prospectus does not occur in a historical vacuum. The most powerful precedent for the current controversy is the international campaign against apartheid South Africa's access to international capital markets, a campaign in which Luxembourg itself played a documented role as part of the enabling financial infrastructure.

7.1 How The Apartheid Regime in South Africa Raised Capital & Luxembourg's Role

The South African apartheid state raised external finance through sovereign borrowing, parastatal bonds (for entities such as ESCOM, Iscor, and South African Railways), Euro currency loans, and defense-linked financial structures.

South Africa's total foreign debt rose from USD 16.9 billion in 1980 to USD 24.3 billion by 1984, a jump from 20% to 46% of GDP[75]. Over fifteen years following the 1977 mandatory arms embargo, the regime spent the equivalent of EUR 33 billion from a special defence account, much of it financed through external borrowing[76].

The historical precedent of Kredietbank Luxembourg ("**KBL**") illustrates the systemic legal and oversight risks that arise when financial infrastructure is used to bypass international sanctions.

Between 1967 and 1975, KBL extended USD 625 million in loans to South African state-owned enterprises and the government directly, approximately 13% of KBL's entire corporate loan portfolio[77]. One insider stated that KBL facilitated up to 70% of all sanctions-busting transactions over fifteen years[78]. KBL charged South African clients a 25-30% premium for its services, exploiting the country's pariah status. KBL created scores of Luxembourg-domiciled shell companies for the South African government and ESCOM, documented in Mémorial C, Luxembourg's official gazette[79].

Euro currency loans to South Africa typically originated in the City of London but were "booked" on the Luxembourg Stock Exchange (*Bourse de Luxembourg*), meaning that Luxembourg administrators processed the transactions[80].

KBL's primary shareholder, André Vlerick, founded the pro-apartheid lobby group Protea in 1977[81]. Other major facilitating institutions included Barclays, which invested R10 million in South African Defence Bonds in 1976 and arranged USD725 million in international loans between 1982 and 1984; UBS and Credit Suisse, which anti-apartheid campaigners argued

[75] Samuel Weeks, 'Financing White Rule: How Luxembourg Became a Banker for the Belgian Congo and Apartheid South Africa', Finance and Society, vol. 10, no. 3 (December 2024), pp. 234–250, DOI: 10.1017/fas.2024.12. Published by Cambridge University Press. Open-access at Jefferson Digital Commons: https://jdc.jefferson.edu/jchsfp/25/.

[76] Weeks (2024), p. 240, citing Kredietbank S.A. Luxembourgeoise (1975: 12).

[77] Weeks (2024), p. 241, citing Hennie van Vuuren, Apartheid, Guns and Money: A Tale of Profit (Johannesburg: Jacana Media, 2017), p. 186. Van Vuuren attributes the 70% figure to "one insider." The Open Secrets/CALS OECD complaint describes it as"70% of all illegal arms transactions."

[78] Weeks (2024), p. 241, citing Van Vuuren (2017), p. 187.

[79] Weeks (2024), p. 241, citing Van Vuuren (2017: 163) and De Morgen.

[80] Alan Hirsch, "The Origins and Implications of South Africa's Continuing Financial Crisis," Transformation 9 (1989). Underlying data: South African Reserve Bank Quarterly Bulletin, various issues 1980–1985.

[81] Ludo De Witte and Khadija Sharife, "International Crimes during Apartheid: Why Cyril Ramaphosa Is Still Paying South African Debt to Foreign Banks," ECDPM, 2018. See also CIA declassified document C06283667, "South Africa: Evading the Arms Embargo."

"played a very important role in South Africa, even after the sanctions were introduced in 1985"; and Chase Manhattan, Citibank, Deutsche Bank, Dresdner Bank, and Commerzbank. All later named as defendants in the 2002 Khulumani apartheid reparations lawsuit[82].

7.2 The divestment and sanctions campaign that squeezed apartheid's finances

The anti-apartheid campaign against South-Africa did not begin with one decisive prohibition. It developed in layers and thanks to a cumulative architecture of UN action, national legislation, institutional divestment, bank withdrawal, and market stigma that progressively delegitimised South Africa's access to international finance.

- **United Nations Resolutions:** The General Assembly established the Special Committee against Apartheid in Resolution 1761 (1962)[83]. Resolution 37/69 (1982) "strongly condemned" financial institutions providing loans and credits to South Africa[84]. The 1973 Apartheid Convention attached international criminal responsibility to those who abet the crime of apartheid[85]. Security Council Resolution 418 (1977) imposed a mandatory arms embargo.

- **The US Comprehensive Anti-Apartheid Act ("CAAA") in 1986:** The most relevant legislative precedent is the CAAA, passed by Congress overriding President Reagan's veto by 313-83 in the House and 78-21 in the Senate[86]. It did not treat sovereign debt as neutral finance. Section 305 prohibited loans to the Government of South Africa, and the Act's definition of *"loan"* explicitly included *"the purchase of debt or equity securities issued by the Government of South Africa"*[87]. The world progressively treated financing the regime as part of the problem.

- **Divestment on a Global Scale:** By the end of 1989, 26 US states, 22 counties, and over 90 cities had taken binding economic action against South Africa. Nebraska became the first state to divest in 1980. New Jersey forced the sale of approximately USD 2 billion in pension investments. California pension funds divested roughly USD 3.8 billion. By August 1988, 155 US universities had divested[88]. In the United Kingdom, over half of all local authority pension funds had placed restrictions on South Africa-related investments by 1987[89]. Sweden passed a total trade embargo in 1987, and Denmark imposed

[82]Ludo De Witte and Khadija Sharife, "International Crimes during Apartheid: Why Cyril Ramaphosa Is Still Paying South African Debt to Foreign Banks," ECDPM, 2018. See also CIA declassified document C06283667, "South Africa: Evading the Arms Embargo."

[83]Hirsch (1989): "85 percent of all US loans to South Africa were short-term," citing Lind and Espaldon, South Africa's Debt atthe Time of Crisis (San Francisco: CANNICOR Research, 1986).

[84]P.W. Botha's "Rubicon" speech, 15 August 1985, National Party Natal Congress, Durban. Confirmed in O'Malley Archives(nelsonmandela.org) and South African History Online.

[85]PIIE timeline (citing Patti Waldmeir) records the rand falling from 54 cents to 34 cents by end of August 1985 approximately 37%. Multiple sources confirm a 20% single-day fall on 16 August 1985.

[86]John Vorster, as quoted in the Johannesburg Star, 26 August 1972. Reproduced in Elizabeth Schmidt, Decoding Corporate Camouflage: U.S. Business Support for Apartheid (Washington, D.C.: Institute for Policy Studies, 1980); and Khulumani et al. Plaintiff Complaint (2002), p. 78.

[87]Patrick Bond and Khadija Sharife, "Apartheid Reparations and the Contestation of Corporate Power in Africa," Review of African Political Economy 36, no. 119 (March 2009): 115–137, DOI: 10.1080/03056240902910156, citing Khulumani et al. Plaintiff Complaint (2002), p. 79.

[88]UNGA Resolution 1761 (1962), establishing the Special Committee against Apartheid.

[89]UNGA Resolution 37/69 (1982), condemning financial institutions providing loans to South Africa.

a total trade ban effective January 1987 both going further than the EEC's more limited measures[90].

7.3 The Debt Crises and the Economic Impact

The turning point came when Chase Manhattan announced on 31 July 1985 that it would not roll over approximately USD 550 million in credits[91]. At that point, 85% of all US loans to South Africa were short-term, making the banking system acutely vulnerable[92].

P.W. Botha's "Rubicon" speech on 15 August 1985 triggered a market panic[93]. The rand lost roughly 35% of its value within weeks[94]. On 1 September 1985, Finance Minister du Plessis declared a moratorium on repayment of approximately USD 13.6 billion in foreign debt[95].

Philip Levy of Yale discovered that while the direct trade impact was modest (roughly 0.5% of GNP), the financial isolation carried enormous psychological and signalling weight[96]. Neta Crawford argued sanctions worked through *"multiple, reinforcing channels"* — direct economic damage, signalling effects, and support for the anti-apartheid movement[97]. Nelson Mandela, asked directly whether economic sanctions helped end apartheid, replied: *"Oh, there is no doubt"*[98].

7.4 The Moral and Legal Case: Bond Purchasers Were Complicit

The anti-apartheid movement helped establish a principle that remains highly relevant: lending, underwriting, distributing, and purchasing state debt are not politically neutral acts when the underlying state project is internationally condemned.

The historical record does not demonstrate a single point of legal pivot; rather, it reflects a gradual reclassification of financial support from ordinary market behavior into morally tainted and actionable assistance subject to international sanctions.

That is the correct way to use the precedent today. The present argument should not be that Israel Bonds are identical, instrument for instrument, to apartheid-era South African debt. It should be that the anti-apartheid framework established the governing regulatory logic: once a state is accused of systematic and grave breaches of international law, facilitating its continued access to capital markets becomes legally and politically contestable. The

[90] International Convention on the Suppression and Punishment of the Crime of Apartheid, UNGA Resolution 3068 (1973),Article III.

[91] UNSC Resolution 418 (1977), mandatory arms embargo against South Africa.

[92] Comprehensive Anti-Apartheid Act of 1986, Pub. L. No. 99-440, 100 Stat. 1086. Veto override votes: 313–83 (House) and 78–21 (Senate), 2 October 1986

[93] CAAA Section 305 (prohibition on loans); definition of "loan" in Section 3(3)(A)(iii) includes "the purchase of debt or equity securities issued by the Government of South Africa."

[94] Richard Knight, "Sanctions, Disinvestment, and U.S. Corporations in South Africa," in Sanctioning Apartheid, ed. Robert Edgar (Africa World Press, 1990).

[95] Anti-Apartheid Movement Archives, "History of The Anti Apartheid Movement in the 1980s," endnote xii

[96] Sweden: Parliament passed total embargo 1987; trade fell from 1.5 billion SEK (1984) to 41 million SEK (1988). Denmark: total trade ban effective January 1987. PIIE timeline; ODI Briefing Paper.

[97] Philip I. Levy, "Sanctions on South Africa: What Did They Do?," American Economic Review 89, no. 2 (May 1999): 415–420, DOI: 10.1257/aer.89.2.415. Working paper: Yale Economic Growth Center Discussion Paper No. 796 (February 1999).

[98] Neta C. Crawford and Audie Klotz (eds.), How Sanctions Work: Lessons from South Africa (New York: St. Martin's Press, 1999), DOI: 10.1057/9781403915917.

argument is strongest when framed in terms of complicity through finance, not rhetorical identity.

South African Prime Minister John Vorster acknowledged the stakes himself: *"Each bank loan, each new investment is another brick in the wall of our continued existence"*[99]. His successor P.W. Botha appointed representatives from Barclays, Standard Bank, and Anglo American to his Defence Advisory Board, communicating to the national parliament: *"I want to unite the business leaders of South Africa behind the South African Defence Force. I think I have succeeded in doing so"*[100].

The Doctrine of Odious Debt, formulated by Alexander Sack in 1927, holds that sovereign debt contracted against the interests of the population by a despotic regime, with creditors aware of the circumstances, is not binding on successor governments[101].

Jubilee South Africa argued that *"the fit between the Doctrine of Odious Debt and the apartheid debt is so close that it is almost as though the Doctrine was formulated on the basis of the apartheid debt alone"*[102]. Harvard economist Michael Kremer proposed mechanisms to declare regimes odious ex ante to discourage lending[103].

The 2002 Khulumani class-action lawsuit named 21 multinational corporations including Citigroup, JP Morgan Chase, Barclays, Deutsche Bank, Credit Suisse, and UBS, arguing they *"aided and abetted"* crimes against humanity by providing financial support[104]. Though ultimately dismissed after the Supreme Court's restrictive Kiobel ruling, the UN Independent Expert on debt and human rights, Juan Pablo Bohoslavsky, filed an amicus brief in the related Organisation for Economic Co-operation and Development ("**OECD**") complaint against KBL for its apartheid-era operations[105].

When Open Secrets and CALS filed that complaint in 2018, the Luxembourg National Contact Point ("**NCP**") refused to investigate[106].

Desmond Tutu articulated the broader moral case: *"In South Africa, we could not have achieved our freedom and just peace without the help of people around the world, who through the use of non-violent means, such as boycotts and divestment, encouraged their governments and other corporate actors to reverse decades-long support for the Apartheid regime"*[107].

Martin Luther King Jr. stated in London in December 1964: *"If our investors and capitalists would withdraw their support for that racial tyranny, then apartheid would be brought to an end"*[108].

[99] Nelson Mandela, Time magazine interview, 1993. Reproduced in WHYY

[100] Alexander Nahum Sack, Les Effets des Transformations des États sur leurs Dettes Publiques et Autres Obligations Financières, vol. I (Paris: Recueil Sirey, 1927), pp. 146–184.

[101] Jubilee South Africa, "Apartheid South Africa as a Case Study for Cancellation of Illegitimate Debt," Probe International, 1st March 2003.

[102] Seema Jayachandran and Michael Kremer, "Odious Debt," American Economic Review 96, no. 1 (March 2006): 82–92. Working paper: NBER Working Paper No. 8953 (May 2002).

[103] Khulumani v. Barclay National Bank Ltd., consolidated as In re South African Apartheid Litigation. Filed 11 November 2002, SDNY. 21 corporate defendants including Citigroup, JP Morgan Chase, Barclays, Deutsche Bank, Credit Suisse, UBS. Dismissed after Kiobel v. Royal Dutch Petroleum Co., 569 U.S. 108 (2013).

[104] Juan Pablo Bohoslavsky, UN Independent Expert, amicus brief filed 28 May 2018 in the OECD NCP complaint by Open Secrets and CALS against KBL/KBC. Also: Bohoslavsky, "Financial Support to Apartheid: Outstanding Debts," Journal of African Law (Cambridge University Press, 2022).

[105] Open Secrets and CALS, OECD complaint filed 24 April 2018. Luxembourg NCP rejected 28 June 2019, finding the complaint "not material and substantiated."

[106] Desmond Tutu, open letter to the University of California–Berkeley ASUC Senate, 13 April 2010.

[107] Martin Luther King Jr., speech in London, 7 December 1964, sponsored by Christian Action. Rediscovered by Pacifica Radio Archives. Not the Nobel Prize acceptance speech.

[108] "Palestinian Civil Society Call for BDS," 9 July 2005. Signed by 171 Palestinian NGOs.

7.5 Direct Comparison Already Drawn Between Apartheid Bonds and Israel Bonds

The comparison between South Africa and Israel is no longer hypothetical, it is already being drawn in civil-society, churches, and financial-accountability campaigns.

In 2005, Boycott, Divest and Sanction ("BDS"), a Palestinian-led civil-society organization, explicitly invoked divestment initiatives "similar to those applied to South Africa in the apartheid era"[109].

BankTrack, PAX, and Profundo documented that seven investment banks underwrote USD 19.4 billion in Israeli sovereign bonds since October 2023[110]. The United Methodist Church voted in 2024 to divest from Israel Bonds, drawing clearly on its 1980s precedent of divesting USD 77 million from apartheid-linked companies[111].

This matters strategically. A critic may say that the analogy is activist rhetoric rather than settled law. But that was also true for long periods in the anti-apartheid campaign. Political movements, churches, pension funds, municipal governments, and later national legislatures all helped convert a moral argument into an actionable financial one. That is precisely how financial isolation usually develops: not through one institution acting alone, but through successive actors deciding that continued participation is no longer defensible.

7.6 Luxembourg's Specific Historical and Current Role

The Luxembourg dimension is what gives this report its sharpest edge.

Historically, Luxembourg was not simply one more European financial center. The record indicates that Luxembourg-based banking and market infrastructure served apartheid South African borrowers in ways that were profitable, discreet, and politically convenient[112].

Luxembourg's financial regulators did not intervene. When the OECD complaint was filed in 2018, the Luxembourg NCP refused to investigate, finding the complaint "not material and substantiated[113]." That history does not prove that every present-day Luxembourg institution bears legal responsibility for past conduct. It does, however, make Luxembourg's current posture especially difficult to defend as neutral or purely technical.

That is why the comparison with the Israel Bonds is serious. The issue is not the exact identity between two instruments issued under different regulatory frameworks, but rather whether Luxembourg is once again helping provide the capital-market infrastructure through which a state accused of apartheid, unlawful occupation, and genocidal conduct maintains external financing. The anti-apartheid precedent shows that this question cannot be dismissed as ideology. It is precisely how international responsibility is translated into pressure.

Today, the CSSF approved Israel's bond prospectus on 1 September 2025 without consulting

[109] BankTrack, PAX & Profundo, 'Seven underwriters of "war bonds" instrumental in enabling Israel's assault on Gaza, new research finds' (Feb. 14th 2025). Seven banks underwrote $19.4 billion in Israeli sovereign bonds since October 2023.

[110] UMC General Conference vote, 30 April 2024, Charlotte, NC. Mondoweiss, 2 May 2024. Wespath ($26bn retirement agency) confirmed compliance 6 August 2025.

[111] Weeks (2024), p. 241; Van Vuuren (2017).

[112] Chronicle.lu, 'Luxembourg Approves Sale Of Israeli Bonds in EU After Irish Opposition', (Sep. 2nd, 2025)

[113] Chronicle.lu, 'Luxembourg Government to Discuss Response to CSSF Issuance of Israeli Bonds', (Sep. 16th, 2025)

the Ministry of Foreign Affairs[114]. The CSSF then wrote to Deputy Prime Minister Xavier Bettel on 15 September 2025 requesting the government's opinion[115]. One week later, on 22 September 2025, Luxembourg formally recognized the State of Palestine[116].

That sequence creates an untenable contradiction. Luxembourg cannot simultaneously acknowledge Palestinian statehood and self-determination while providing a regulatory platform for fundraising that the ICJ's advisory opinion characterizes as assisting in the maintenance of an illegal situation[117].

The UN General Assembly followed up with Resolution ES-10/24, calling on states to *"take steps to prevent trade or investment relations that assist in the maintenance of the illegal situation"*[118].

Luxembourg therefore does not need a perfect historical mirror image in order to act. It needs only to recognize the lesson that the anti-apartheid struggle eventually made unavoidable: finance is not neutral when it sustains an unlawful situation. Once that point is accepted, the approval, distribution, and promotion of Israel Bonds in Europe no longer look like routine market plumbing. They look like a choice and one with legal and political consequences.

7.7 No more gaps in regulation: a case stronger than Apartheid South Africa

There is an important difference between the apartheid South Africa precedent and the current case, and stating it openly strengthens rather than weakens the argument.

No financial regulator, acting alone, formally refused to approve a prospectus for apartheid South African debt on human-rights grounds. The pressure points were broader: UN resolutions, national legislation, bank withdrawal, institutional divestment, and mounting market stigma.

But today's legal framework supplies the contemporary hook. The ICJ's advisory opinion states that all states must not *"render aid or assistance in maintaining the situation created by Israel's illegal presence"*[119]. The ICJ's plausibility finding in South Africa v. Israel engages the duty to prevent genocide. Human Rights Watch and Amnesty International have both concluded that Israel's system amounts to apartheid. UN Special Rapporteur Francesca Albanese's 2025 report specifically cited Israel Bonds as playing *"a critical role in funding the ongoing war on Gaza."*

Anti-apartheid history shows that financial isolation was achieved not through a single mechanism but through cumulative pressure. Luxembourg could adopt national restrictive measures, issue governmental guidance, support institutional divestment, and interpret regulatory discretion in light of international obligations. Even if the CSSF's formal review is confined to completeness, consistency, and comprehensibility, Luxembourg as a state is not confined to passivity.

[114] Gouvernement.lu, 'Luxembourg formally recognises the State of Palestine', (Sep. 22nd, 2025)
[115] ICJ, 'Legal Consequences arising from the Policies and Practices of Israel in the Occupied Palestinian Territory, including East Jerusalem' - Advisory Opinion of the 19 July 2024, paras. 278–279
[116] UNGA Resolution ES-10/24, adopted 18 September 2024 (124–14–43), operative paragraph 5(iv)
[117] ICJ, South Africa v. Israel, Order of 26 January 2024, para. 54
[118] Human Rights Watch, A Threshold Crossed, 27 April 2021; Amnesty International, Israel's Apartheid against Palestinians, 1 February 2022 (MDE 15/5141/2022).
[119] Francesca Albanese, From Economy of Occupation to Economy of Genocide, UN Doc. A/HRC/59/23, June 2025, para. 92.

8 CSSF must stop authorizing the sale of the Israel Bonds

8.1 The Sale of Israel Bonds in EU and the CSSF authorization

As mentioned on this report, since 1 September 2025, Israel Bonds have been sold within the EU, in Austria, France, Germany, the Netherlands and Luxembourg, based on the CSSF's approval of the Israeli Bond Issuance Programme, whereby the Luxembourg regulator is acting as a competent authority of the home member state, Ireland, for the purposes of the transferred prospectus.

In the previous year, the Israel Bonds authorized for sale by the CBI were sold in Austria, France, Germany, the Netherlands and Ireland. It is worth noting that since 2023, Belgium and Spain are no longer "host member states" for the Israel Bonds. In three years, the sale of Israel Bonds has ended in Belgium, Spain and Ireland.

The bonds included in the prospectus approved by the CSSF mirror those offered in the US by the DCI, and precisely: the Jubilee bonds (minimum amount: USD 25,000), the Mazel Tov Savings Bonds (minimum amount: EUR/USD/GBP 100), and the eMazel Tov Savings Bonds (minimum amount: EUR/USD/GBP 36).

The Mazel Tov and eMazel Tov bonds are marketed primarily as gifts, *"popular for their lower purchase minimums and ease of giving"*[120]. These instruments are utilized to generate broad-based political support, creating a significant divergence between the marketing narrative and the material financial risks of a war economy.

No summary report is available from CSSF nor from the DCI in relation to the funds raised through the sale of Israel Bonds authorized by the CSSF between September 2025 and end of April 2026. An analysis of available EU sales reports from the DCI published on the Israel Bonds International website for the period 15 December 2025 to 28 February 2026 reveals sales of EUR 19.16 million in this ten week period.

The CBI, for the period between 1 October 2023 to 15 April 2025[121] estimated the total sales to be EUR 417,741,287 with the caveat that *"the Central Bank has not separately verified or audited this information"*.

Israel Bonds are currently being sold in the EU since September 2025 because the CSSF approved the Israeli Bonds Issuance Programme. Without the approval of the CSSF, and the prior agreement of the CBI to transfer the prospectus to the CSSF, Israel Bonds could not be sold in the EU. The withdrawal of multiple EU host states from this program suggests an evolving regulatory consensus regarding the heightened risk profile of these bonds. Consequently, there are compelling legal reasons to refuse to facilitate fundraising that, according to international judicial findings, present significant legal and reputational liabilities.

For a broader overview of Israeli bonds' sales across the EU, please refer to Annex II below.

[120] Israel Bonds, 'Gift a Bond', "Mazel Tov and eMazel Tov Bonds are especially popular for their lower purchase minimums and ease of giving."

[121] Central Bank of Ireland, 'Report'

9 Consequences for Luxembourg

9.1 Legal Exposure

As mentioned in the report commissioned by the Luxembourg Chamber of Deputies[122], Luxembourg not only must use its influence to pressure Israel to mitigate the plausible risk of genocide against Palestinians, but it may be even held responsible for the facilitation of internationally a plausible genocide if it provides aid and assistance to Israel in the commission of these unlawful acts.

Additionally, the same report recommends that Luxembourg should adopt rigorous measures to regulate the activities of its citizens, companies, and entities to ensure that they do not contribute, directly or indirectly, to the continuation of Israel's illegal occupation of the Occupied Palestinian Territory.

9.2 Reputational Risk

Luxembourg's financial center depends on its reputation for rigorous regulation. Being perceived as a "regulator of last resort" for issuers rejected elsewhere would undermine this[123]. Protests have already taken place outside CSSF headquarters[124].

Moreover, Luxembourg is considered the biggest Environmental Social and Governance ("ESG") hub in Europe, being at the forefront of sustainable finance, and this positive reputation could be tarnished by the sale of the Israel Bonds.

Indeed, sustainable finance experts have highlighted that sovereign bonds raise important ESG risk related questions as investors try to assess to what extent the emission of those securities is funding unethical or even illegal states' conducts, especially during times of war.

When it comes to Israel, experts emphasized the link between state's bonds and warfare: *"Israel's February 2025 USD 5 billion bond issuance [globally] was explicitly designated by the Israeli government to finance war costs, including military operations. This creates a direct, documented linkage between specific bond proceeds and military spending — and that's a materially different risk profile from general budget financing"*[125].

There are even sustainable investment advisory firms that have considered the ongoing Gaza genocide as a defining test for ESG investing integrity and have noted how key global players like KLP, Norway's largest pension insurer, and Norway Government Pension Fund, the world's largest sovereign fund, have divested from Israeli companies due to their links to the illegal occupation of the West Bank[126].

Conversely, the Luxembourg Fonds de Compensation, responsible for prudentially managing the compensation reserve of the general pension insurance scheme, as of 31 December 2025, is still invested in several companies that are also on the database compiled by the Office of

[122] Chambre des Députés of Luxembourg, 'Les obligations et la responsabilité internationales du Luxembourg au regard des pratiques d'Israël dans le Territoire palestinien occupé'
[123] Jowhar.com, 'Luxembourg regulator to face questioning over decision on Israel', (Sep. 16th 2025)
[124] The Journal.ie, 'Luxembourg activists vow to continue Irish campaign', (Sep. 19th 2025)
[125] Sebastian Shehadi (Sustainable Views), 'ESG engagement stops at sovereign bond market' (Feb. 12th, 2026)
[126] Sustainable value investors, 'ESG Investor Reactions to the West Bank and Gaza Conflict: Regional Patternsand Strategic Distinctions (2024–2025)'

the United Nations High Commissioner for Human Rights regarding business enterprises that are involved in providing services and utilities that support the maintenance and existence of illegal settlements[127].

It is important to highlight that often the Norway Government Pension Fund's exclusion list becomes a benchmark in the ESG community and it would be detrimental for Luxembourg's reputation to be in eventual opposition with these guidelines.

9.3 Luxembourg's Obligation Under International Law toward Palestine (Third state responsibilities)

On 22 September 2025, Luxembourg Prime Minister Luc Frieden stated: *"There are moments in history when the cause of peace demands both moral clarity and political courage"*[128]. He described the recognition of a Palestinian state as *"an acknowledgment of the Palestinian people, not as a problem to be solved, but as a people with rights, with a future, and with a voice."* That statement carries not only political symbolism, but legal implications.

A state cannot recognize a people's right to self-determination while financing military operations that the ICJ has found plausibly amount to their genocide.

Under Article I of the Genocide Convention, Luxembourg undertakes to prevent and punish genocide, and the ICJ has held that this duty arises when a State learns, or should normally have learned, of a serious risk that genocide will be committed.

In its Order of 26 January 2024 in South Africa v. Israel, the ICJ found the rights asserted under the Genocide Convention in the Gaza case to be plausible and indicated provisional measures. In July 2024, the ICJ further held that all states are under an obligation not to recognize as lawful the situation created by Israel's unlawful presence in the Occupied Palestinian Territory, and not to render aid or assistance in maintaining it.

Moreover, international law obligations bind the state as a whole. A financial regulator cannot place itself beyond the Genocide Convention by characterizing its function as purely technical. As Irish Senator Alice-Mary Higgins stated: "An advisory opinion from the International Court of Justice is a definitive interpretation of what international law already applies"[129].

Luxembourg therefore cannot coherently affirm Palestinian statehood and self-determination while facilitating financial arrangements that may help sustain the destruction of Palestinian life, territory, and political existence.

[127] Fonds de Compensation 'The annual financial statements of FDC's SICAV at the end of 2025'
[128] Speech by PM Luc Frieden, High-Level Event on the Two-State Solution, UN HQ New York, 22 September 2025
[129] Irish Times, 'Makhlouf defends Central Bank over Israeli bonds', (Oct. 22nd 2025)

10 Recommendations

As substantiated in this report, the CSSF's approval of the Israeli bonds' prospectus carries a significant risk of violating international law, first and foremost the duty to ensure that regulatory facilitation does not constitute aid or assistance to a third state in committing a internationally wrongful acts, as defined by the ICJ. and the duty to prevent a third state from committing such acts.

Also, the CSSF in the case at hand, inherited not only the prospectus but the full record of why approving it raises serious legal and political questions.

Furthermore, the CSSF's approval of the Israeli bond prospectus gives rise to a serious risk of inconsistency with Luxembourg's international obligations, including the duty to act to prevent genocide once a state knows, or should normally know, of a serious risk, and the duty not to recognize as lawful, or render aid or assistance in maintaining, an unlawful situation. The ICJ has held that the duty to prevent genocide arises when a state learns, or should normally have learned, of a serious risk that genocide will be committed. It has also held that all States are under an obligation not to recognize as lawful the situation arising from Israel's unlawful presence in the Occupied Palestinian Territory and not to render aid or assistance in maintaining that situation.

Additionally, the CSSF's approval of the Israeli bond prospectus raises investor-protection concerns. Under the Prospectus Regulation, a supplement must be published where there is any significant new factor, material mistake, or material inaccuracy that may affect the assessment of the securities. Luxembourg's prospectus law further empowers the CSSF to require supplementary information where necessary for investor protection, and disclosure of all material information affecting the assessment of the securities, to suspend an offer, to suspend or prohibit advertisements, and to prohibit an offer where there are reasonable grounds to suspect or find an infringement.

Finally the CSSF's approval of the Israeli bonds' prospectus has opened the door of the EU capital markets to a debt instrument that is neither priced nor marketed transparently, potentially eroding investors' protection and therefore, investors' overall trust in the financial markets.

In light of the above, we strongly recommend that the CSSF, either directly within its existing supervisory powers or in coordination with the relevant competent institution(s), take the following measures:

- To immediately suspend the offer of the bond issuance programme of the state of Israel dated 1 September 2025;
- At the same time, to launch an urgent review of whether the issuance complies with the Prospectus Regulation and other applicable laws and regulations;
- To require supplemental information and material under Article 23 of the Prospectus Regulation, given new factors and material inaccuracies affecting the assessment of the Israel Bonds;
- To decline to renew its approval upon expiry of the Israel Bonds' prospectus and refuse any subsequent transfer request from any third-country;
- To refuse to become the "home member state" for the Israel Bonds if requested to do so;

- To commission an independent legal study on the implications for Luxembourg of approving sovereign debt instruments in circumstances involving serious risks under international law, including the duties of prevention, non-recognition, and non-assistance. The study should assess both Luxembourg's international obligations and the adequacy of existing financial-supervisory tools;
- To adapt an internal review protocol of sovereign issuers presenting serious international law risks, including escalation to external counsel, human rights due diligence and mandatory senior level signature before any relevant decision is taken;
- To notify ESMA and seek coordinated EU-level guidance on the treatment of sovereign prospectuses raising serious international-law and investor-protection concerns, to avoid fragmented supervision across Member States and to preserve confidence in the integrity of EU capital markets;
- To consider, at state level, national or EU restrictive measures to ensure Luxembourg's financial sector does not contribute to internationally wrongful conduct.

11 Annexes

Annex I: Economic situation of the State of Israel after October 7, 2023

From the prospectus, it is possible to outline the macroeconomic and fiscal conditions of the State of Israel, showing how ongoing regional military conflicts drive significant economic disruptions and fiscal deterioration.

1. Macroeconomic contraction and labor market disruption
The ongoing conflicts compel the government to mobilize substantial human resources, which immediately shocks economic output and the labor market. Following the outbreak of the war in Gaza, Israel's GDP contracted by 20.9% on an annualized, seasonally adjusted basis in the fourth quarter of 2023. While the economy rebounded in the first quarter of 2024, it demonstrated more moderate growth for the remainder of the year. The military response prompted the government to draft more than 300,000 reservists. Consequently, approximately 764,000 individuals missed work in October 2023 due to economic or war-related reasons. Although the number of absent workers steadily decreased to approximately 65,000 by December 2024, the situation continues to negatively impact the labor market and private consumption.

2. Escalation of fiscal deficit and national debt
Funding extensive military operations and supporting displaced civilians rapidly expands the national deficit and overall debt burden. The government significantly increased public and civil expenditures to finance security operations and accommodate internally displaced civilians. By the third quarter of 2024, public consumption exceeded pre-war levels, and the 2025 budget expects civil and defense expenditures to continue rising. This spending drove the national budget deficit to 4.1% of GDP in 2023. After a full year of conflict, the deficit surged further to reach 6.8% of GDP in 2024. Consequently, Israel's public debt-to-GDP ratio climbed from 61.5% in 2023 to 67.9% in 2024.

3. Budgetary Adjustments and Revenue Policies
To manage the growing fiscal strain, the Israeli government enacted multiple emergency budget revisions and raised taxes. On March 13, 2024, the Knesset approved an initial FY 2024 Additional Budget that accommodated higher deficit and debt ratios while introducing new revenue-raising policies. The Knesset subsequently approved two additional budget increases in September and December of 2024. After operating on a temporary budget for the first quarter of 2025, the Knesset approved the FY 2025 budget on March 24, 2025. This budget enacts specific measures to curtail expenditure commitments and raises certain taxes to fund war-related expenditures and stem the deficit's growth.

4. Sovereign Credit Rating Downgrades
Fiscal deterioration and geopolitical instability prompted major international agencies to downgrade Israel's sovereign credit rating. Standard & Poor's (S&P) downgraded Israel's credit rating to A+ in April 2024, further downgraded it to A in October 2024, and affirmed the A rating with a "Negative" outlook in May 2025. Moody's placed Israel under review in October 2023, downgraded the rating to A2 in February 2024, downgraded it again to Baa1 in September 2024, and affirmed the Baa1 rating with a "Negative" outlook in July 2025. Similarly, Fitch

Ratings placed Israel on "Rating Watch Negative" in October 2023, downgraded the country's credit rating from A+ to A in August 2024, and affirmed the A rating with a "Negative" outlook in March 2025.

Annex II: Detailed EU Sales Data Analysis

Source: EU Sales Reports published at israelbondsintl.com/sales-report-en/, combined with analysis spreadsheet (attached separately as Israel_Bonds_Analysis.xlsx).Exchange rates: ECB Euro Foreign Exchange Reference Rates for last business day of each reporting period.Methodology: Each bond product classified by minimum denomination. Products with minimum purchase below €1,000 (or equivalent at ECB rates) are classified as "sub-€1,000" for Article 2(m)(ii) analysis.

Period 1: 15 December – 31 December 2025

ECB rates (31 Dec 2025): EUR/USD = 1.1750, EUR/GBP = 0.87260

Bond Product	Ccy	Net Issuance	EUR Equiv	Min Denom	<€1k?
1yr Euro Savings	EUR	€960,500	€960,500	€5,000	No
2yr Euro Savings	EUR	€121,077	€121,077	€1,000	No
3yr Euro Savings	EUR	€36,908	€36,908	€1,000	No
5yr Euro Savings	EUR	€198,600	€198,600	€1,000	No
2yr Sterling Jubilee	GBP	£53,953	€61,818	£1,000	No
USD Jubilee (2/3/5/10yr)	USD	$160,000	€136,352	$25,000	No
USD Sabra (1/2/3/5yr)	USD	$601,500	**€512,598**	$1,000	**YES**
Euro Mazel Tov	EUR	€9,518	**€9,518**	€100	**YES**
Sterling Mazel Tov	GBP	£342	**€392**	£100	**YES**
USD/GBP/EUR eMazel Tov	Mixed	Various	**€78,096**	€36	**YES**
USD Mazel Tov	USD	$5,605	**€4,777**	$100	**YES**
TOTAL			**€2,120,634**		
of which sub-€1,000			**€605,379**		**28.5%**

Note: Period 1 shows a higher sub-€1,000 percentage (28.5%) due to relatively large Sabra bond sales ($601,500) against moderate total volume. The USD Sabra bonds have a $1,000 minimum which converts to approximately €851 at the 31 Dec rate and below the €1,000 threshold.

Summary: All Five Periods

Period	Total (€)	Sub-1k (€)	% Sub-1k	Above-1k (€)	% Above
15 Dec–31 Dec 2025	2,120,634	605,379	**28.5%**	1,515,255	71.5%
1–14 Jan 2026	628,545	300,542	**47.8%**	328,003	52.2%
15–31 Jan 2026	9,757,865	299,602	**3.1%**	9,458,263	96.9%
1–14 Feb 2026	2,438,227	17,277	**0.7%**	2,420,950	99.3%
15–28 Feb 2026	4,218,697	198,967	**4.7%**	4,019,730	95.3%
GRAND TOTAL	**19,163,968**	**1,421,767**	**7.4%**	**17,742,201**	**92.6%**

Key findings:

1. Over the full period, 92.6% of all EU bond sales by value were of instruments denominated above €1,000.
2. Only 7.4% (€1.42 million out of €19.16 million) were sub-€1,000 denomination products.
3. In the largest period (mid-Jan 2026, €9.76m total), sub-€1,000 products were just 3.1%.
4. In Feb 1-14 2026, sub-€1,000 products were only 0.7%, effectively negligible.
5. The variation between periods reflects the lumpy nature of individual bond purchases, not a structural dependence on small-denomination products.