

OPINION

## ISRAEL GOES CASHLESS

Israel's promoting a new plan to abolish 200 shekel banknotes, forbid possession of physical gold & silver, and use AI for enforcement, while Gaza's state of cash deteriorates.

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A few days ago, a new initiative promoted by Prime Minister Netanyahu was announced - removing 200 shekel bills from circulation, as a first step to abolish cash altogether within a few years.

The official excuse? fighting financial crimes and black money in the Arab society. (For those who aren't aware, 1.6m citizens in Israel are Arab, which stands for 17% of the country's population).

As expected, this move - identical to India's move in 2016 - will cause further destabilisation of Israel's economy and of its citizens' physical and mental states. A derivative of this economical shake up will ripple into Gaza who is relying on the Israeli shekel as its currency, and clearly, its population is heavily reliant on cash.

So let's break it down.

### ABOLISHING 200 SHEKEL NOTES

The value of the Israeli 200 shekel bills surpasses 100 billion shekels, and make up nearly 80% of the bank notes held by the public. In recent attempts to smear cash holders, it was reported that "most of the 200 shekel bills are not used for purchases, but for the accumulation of black capital." A team of so called experts: nine businessmen and former officials in the public sector, who initiated the idea to abolish these bills, claim that the bills' removal will recover more than 20 billion shekels (\$5.3b) by next year, and 110 billion shekels (\$29b) in the next 5 years - bringing it back to the state, and will force tax evaders to be revealed.

Two weeks ago, the first mainstream media article about this new initiative popped up, to normalize and prepare people for this draconian measure.

### THE PROPOSED POLICY DOCUMENT SUGGESTS SEVERAL STEPS TO COMBAT BLACK CAPITAL:

1. Removing the 200 shekel bills from circulation, as well as broadening the obligation to report on cash holding to the authorities. This is part of a larger plan to abolish cash completely in 3 phases: 1- limit cash transactions to 3,000 shekels (\$800) within 2-3 years, 2- lower transaction amount to 2,000 shekels (\$530), 3- cancel cash usage completely, while encouraging digital payment methods.
2. Leveraging AI tools for monitoring and enforcing tax evasion,
3. Launching a collaborative enforcement effort that includes various key bodies, such as the Tax Authority, the Anti-Money Laundering Authority, the police, the prosecutor's office and the Counter-Terrorism Economic Warfare Headquarters.
4. Banning the possession of cash substitutes, such as gold, silver, medals, and coins, on a significant scale.
5. Enhancing regulation of non-banking financial entities, including currency exchange services, which manage significant volumes of illicit funds.
6. Seizure of digital currencies linked to terrorist activities of sanctioned entities - "There are technologies that enable the real-time identification of such money transfers, and Israel needs to implement them immediately. This will allow for disrupting the flow of funds for terrorism and crime, identifying terrorist operatives, and seizing hundreds of millions of dollars for the

state, potentially billions in the future”. (This part is from a leaked draft of the plan dated March 2024; it did not appear in mainstream media publications - E.F)

Lo and behold, two weeks after the first “suggestion” of this new policy, Prime Minister Netanyahu announced he’s now advancing this reform urgently in order to fight black capital, especially amongst the Arab population, and called in a special committee to discuss the new policy.

Israel already introduced a new “big brother” regulation last year, for pre-approving any B2B transaction with the Tax Authority, over 25K shekels. The new policy plan now proposes lowering the threshold for transactions requiring pre-approval from the Tax Authority from 25K shekels (\$6,750) to 5K shekels (\$1,350), a highly controversial move.

Israel’s largest mainstream publication, [Ynet](#), reminded its readers that “Similar steps have been implemented in other countries. In parts of China, the use of cash has been completely banned in certain cities.” Israel’s governing bodies love using “other countries are doing it already too” excuse to justify their acts. The same mantra is being played again and again when the Digital Shekel is mentioned. I recently listened to a podcast with Israel’s Central Bank governor which mentioned favorably how advanced the ECB is with the Digital Euro, for example.

I asked Roger Huang, an author and a journalist, about the accuracy of this statement re. China’s cashless cities: “China’s central bank actually makes it illegal to not accept cash as a payment option and has punished businesses ([http://www.xinhuanet.com/english/2021-01/21/c\\_139687310.htm](http://www.xinhuanet.com/english/2021-01/21/c_139687310.htm)) in the past for doing so, even during COVID. This is in direct contradiction to a statement justifying restrictions on cash in Israel that certain cities ban the use of cash. This has not been reported, and with no primary source verified, hard to prove. The Chinese central bank’s actions suggest the opposite. Though China is going more cashless and is the most aggressive country at advancing a CBDC/central bank digital currency (the e-CNY/digital yuan), it has not implemented bans or restrictions on using cash - and in fact its central bank punishes those that restrict the use of cash.”

My video on the new 200 bills plan went viral with 70K views, share it [here](#)

## INDIA REMOVED 500 & 1000 RUPEE BILLS IN 2016

In November 2016, the [Indian government made a similar decision](#) to the one Israel is now considering, by withdrawing 500 and 1000 Rupee notes from circulation. In the aftermath of this decision, hundreds of people lost their lives, many more faced hardship, and the country’s GDP took a significant hit.

From this 2016 article on [Vox](#):

*“Tens of thousands of people have taken to the streets of cities throughout India to protest an economic policy you probably haven’t heard of before: demonetization.*

*Three weeks ago, Indian Prime Minister Narendra Modi surprised his country with an announcement banning 500- and 1,000-rupee notes — worth about \$7 and \$15 respectively — in a bid to tackle corruption and terrorism.*

*He estimated that forcing people to exchange the country’s largest currency bills for new banknotes would allow the government to crack down on “black money” — unaccounted-for cash holdings that haven’t been taxed but, under the law, should be. He also argued that it would strike at domestic terrorist financing operations by capturing counterfeit money and rendering the legitimate cash they kept in the shadows worthless.*

*Banning widely used banknotes would have a huge impact on any economy, but in India the policy is transformative. Modi’s sudden ban instantly meant that 86 percent of all the cash in circulation in India was no longer considered legal tender, which means that businesses could refuse to accept those bills as a form of payment. And the Indian economy simply runs on cash: It’s estimated that between 90 and 98 percent of all transactions in India, measured in terms of volume, involve it.*

*Unsurprisingly, Modi’s demonetization initiative has caused chaos across the country. People want new banknotes, but the current supply of them isn’t close to meeting demand. That’s created headaches for people as they wait in long lines outside ATMs and banks, which routinely run out of cash. For people who rely on daily cash earnings to survive, it can mean not being able to obtain food.”*

In this excellent lecture by [Andreas Antonopoulos](#), a famous Bitcoin developer and lecturer, dating back to 2016, Andreas discusses the currency war of countries. He details the cash crisis in India and other examples of countries where citizens are punished due to failed currencies (Venezuela, Argentina, Ukraine, Turkey and more).

All of these trials conducted in one country, serve as testing grounds for future implementations elsewhere (such as the 2012 bank deposit confiscations in Cyprus or efforts to protect banks from collapse in the U.S. over the years). As debt continues to rise, the economic situation deteriorates, and inflation worsens, these experiments will only speed up. We can expect more taxes, further restrictions on cash, more confiscations, and rising prices alongside inflation. Eventually, this deteriorating state will provide a sufficient justification to introduce a new digital control system known as the CBDC, if another “crisis” or “emergency” doesn’t precede it.

## ADDITIONAL CASH RESTRICTIONS IN ISRAEL

Israel’s government has been tightening its policy on cash usage in recent years; Today, there are still no official restrictions on the amount of cash that can be kept at home, but the government has repeatedly emphasized that it does not view this practice favorably and prefers that as many transactions as possible be conducted through non-cash payment and money management methods. At the same time, the government is working to advance legislation that would make it illegal to hold more than 200,000 shekels in cash. Additionally, holding cash amounts of 50,000 shekels or more would require providing explanations to the authorities about the source of the money and its intended use.

In August 2022, Israel announced it forbids cash purchases larger than 6,000 shekels. This reform aims, according to a statement issued by Israel’s [Tax Authority](#), to fight organized crime, money laundering and tax non-compliance.

The [Jerusalem Post](#) reported back in 2022:

*Under the new law, any payment to a business above 6,000 NIS (\$1,700) must be made using alternative methods, such as a digital transfer or a debit card. Trading between private citizens who are not listed as business owners will be limited to 15,000 NIS (\$4,360) in cash. This is another step in Israel’s fight against the use of cash. Previously, cash up to the amount of 11,000 NIS (\$3,200) could be used in business deals.*

*“We want the public to reduce the use of cash money,” adv. Tamar Bracha, who is in charge of executing the law on behalf of Israel’s Tax Authority, told The Media Line. “The goal is to reduce cash fluidity in the market, mainly because crime organizations tend to rely on cash. By limiting the use of it, criminal activity is much harder to carry out.”*

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— Adv. Tamar Bracha, Israel’s Tax Authority, 2022*

## **GAZA’S STATE OF CASH**

The cash shortage in Gaza has intensified the already dire conditions, making it even harder for people to buy essential food and supplies.

In Gaza, the scarcity isn't limited to food, water, and electricity. Almost a year into the conflict, there's a severe shortage of cash. Banks have been destroyed, and frequent power outages have rendered ATMs inoperable. **Reports** from the region highlight how this lack of cash is worsening the daily struggle for survival, while raids by the IDF on Hamas outposts have uncovered millions of shekels and large sums of U.S. dollars stored there.

Cleaning with soap and water and returning to customers: Gaza's worn banknote crisis

As reported on [Ynet](#):

*“A shortage of fresh cash and the closure of many bank branches due to the war have forced Gaza’s residents to reuse the same banknotes for almost a year. “With so much use, the notes become worn and decayed, and I refuse to accept them,” says one market vendor. Meanwhile, a new profession is emerging in the strip: cleaning and refurbishing worn banknotes.*

*The closure of numerous bank branches in Gaza since the beginning of the war has led to a severe cash shortage, forcing residents to continue using old, tattered notes. A new trade called “note cleaning” is emerging, where old bills are cleaned and restored for reuse, with the service costing between 2 and 5 shekels per note.*

*Merchants, particularly in northern Gaza, warn that the only real solution to this crisis is reopening the closed banks and injecting fresh cash into the market. Otherwise, the risk of counterfeit currency spreading grows.*

*Additionally, cash withdrawals from ATMs in Gaza come with hefty fees ranging from 10% to 20%. Before the war, there were around 20 currency exchange offices in Gaza City alone, run by Hamas or taxed by the organization. These offices traded in various currencies and converted them, alongside several informal money changers operating in market corners.”*

## **WHERE DO WE GO FROM HERE?**

Israel going cashless is another step in tightening control and violating property rights, for its citizens and its neighbors. This “going cashless” development is added to other worrying trends in Israel such as chewing on people’s pensions, and progressing Israel’s CBDC, the Digital Shekel.

A new economic reality is ahead of us. In such times, learning about Bitcoin becomes a necessity, in order to hedge against government tyranny with the only truly decentralized, secure cryptocurrency which is controlled by no one, and is fully permissionless, outside of government control.

*This is a guest post by Efrat Fenigson. Opinions expressed are entirely their own and do not necessarily reflect those of BTC Inc or Bitcoin Magazine.*