

Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus (Temporary Provision)

Introduction

1. The goal of this temporary provision is to grant regulatory easings in several areas, against the background of the development of the coronavirus event and its possible economic ramifications, and to assist households, businesses, and the economy to deal with the challenges of this event.

Application

2. The directive will apply to corporations to which the relevant proper conduct of banking business directives apply.

Adjustments to Supervisor of Banks Directives

3. The Supervisor may establish certain directives other than those detailed below, including additional adjustments to Proper Conduct of Banking Business Directives that will apply to a specific corporation, or to exempt a corporation in exceptional cases from a specific directive when there are specific reasons due to which the Supervisor deems it correct to do so, and for reasons that are to be listed.

Proper Conduct of Banking Business Directive no. 201, on Capital Adequacy and Measurement

- 3a. Instead of the provisions of Section 40(b) of Proper Conduct of Banking Business Directive no. 201, the minimum capital requirements will be as follows:
“(b)(1) The Common Equity Tier 1 capital ratio for risk-weighted assets must be no lower than 8 percent. A banking corporation whose total balance sheet assets on a consolidated basis are equal to or exceed 24 percent of total balance sheet assets in the banking system shall maintain a Common Equity Tier 1 capital ratio for risk-weighted assets of no less than 9 percent.
(2) The total capital ratio for risk-weighted assets must be no lower than 11.5 percent. A banking corporation whose total balance sheet assets on a consolidated basis are equal to or exceed 24 percent of total balance sheet assets in the banking system shall maintain a total capital ratio for risk-weighted assets of no less than 12.5 percent.”

Proper Conduct of Banking Business Directive no. 218, on Leverage Ratio

- 3b. Instead of the provisions of Section 7 of Proper Conduct of Banking Business Directive no. 218 shall be the following: “The banking corporation shall maintain a leverage ratio of not less than 4.5 percent on a consolidated basis. A banking corporation, the total balance sheet assets of which, on a consolidated basis, are 24 percent or more of total balance sheet assets in the banking system, shall maintain a leverage ratio of not less than 5.5 percent.”

Proper Conduct of Banking Business Directive no. 301, on the Board of Directors

4. Notwithstanding the provisions of Sections 49(a) and 49(d) of Proper Conduct of Banking Business Directive no. 301 (hereinafter, Directive no. 301), a banking corporation's board of directors may hold board meetings without in-person gatherings.
5. Participation by using means of communication in line with the provisions of Section 49 of Directive no. 301 shall be viewed as physical attendance regarding Section 41 of the directive, exclusively for compliance with the physical attendance obligation established in the Section.
 - 5a. The following shall replace the provisions of Section 18 of Directive 301:
 - (a) "Notwithstanding the provisions of Proper Conduct of Banking Business Directives requiring Board discussions at specific frequencies, the Board of Directors shall discuss the issues detailed in Section 6 as well as the issues that it has to discuss in accordance with other Proper Conduct of Banking Business Directives at the time and frequency established by the Chairperson of the Board in line with the Chairperson's judgment, taking into account the developing risks and the rapid changes in the activity environment due to the coronavirus event and the need to monitor the banking corporation's activities at this time, and subject to the provisions of Sections 97–99 of the Companies Law and the banking corporation's charter. The above does not detract from the Board's functions and responsibilities under any law and according to Section 5 or exempt from the Board's authorization if required according to any law or proper banking procedure."
 - (b) Section 35(g) shall be cancelled.
 - (c) Section 40 shall not apply to Board committees.
 - 5b. Section 45(c) of Directive 301:
 - (a) In paragraph (1), "60 days" shall be replaced by "120 days".
 - (b) In paragraph (2), "3 business days" shall be replaced by "7 business days".

Proper Conduct of Banking Business Directive no. 307, on the Internal Audit Function

- 5c. The following shall appear at the end of Section 14 of Proper Conduct of Banking Business Directive 307:

"If the period of 5 years ends during the course of 2020, the banking corporation may extend the completion of conducting the review for a maximum of 6 months."

Proper Conduct of Banking Business Directive no. 308A, on Handling Customer Complaints

6. Notwithstanding the provisions of Section 9(a), 9(b) and 9(c) of Proper Conduct of Banking Business Directive no. 308A, in very anomalous circumstances the banking corporation's response and its notification to the customer regarding the customer's right to file an objection to the banking corporation's decision with the Banking Supervision Department, may be provided in writing or verbally; a banking corporation must document every such answer and notification that are

provided to the customer verbally; a banking corporation may respond to the customer and only note its main reasonings, and in exceptional cases that are to be documented, the banking corporation is permitted not to provide reasoning for its response.

- 6a. At the end of Section 9(d) of Directive 308A, the following shall be added: “Under very unusual circumstances in which the delay is due to factors that are not under the banking corporation’s control, the banking corporation may publish via online means a notice to all its customers regarding the extension of the date and the reason for the delay, instead of sending such notice to any enquirer as noted above.”
7. In Section 10(a) of Directive 308A, the end clause shall note: “or in a longer period that is established by the Supervisor of Banks regarding all the complaints due to anomalous conditions and that notification about it was published on the Bank of Israel’s website”.

Proper Conduct of Banking Business Directive no. 311 on Credit Risk Management

- 7a. In Section 27a of Proper Conduct of Banking Business Directive no.311, “the report shall be considered updated if submitted within 9 months from the date of the financial statement” shall be replaced by “the report shall be considered updated if submitted within 11 months from the date of the financial statement”.

Proper Conduct of Banking Business Directive no. 315 on the Industry Indebtedness Limitation

8. In Section 5(b)1 of Proper Conduct of Banking Business Directive no. 315, the phrase “shall not exceed 20 percent” shall be replaced by the phrase “shall not exceed 22 percent”.

Proper Conduct of Banking Business Directive no. 325 on “Management of Credit Facilities in Current Accounts

9. In Section 4(a) of Proper Conduct of Banking Business Directive no. 325 (hereinafter, “Directive 325”), the phrase “One business day” is to be replaced by “3 business days”, and at the end of the section, add the phrase “in this section, “a customer’s request to honor a specific debt”—includes through giving a payment instruction by the customer or a demand for payment by authorized debit of the account provided by the customer”.
10. Section 9 shall be added to the Directive: “A banking corporation is permitted not to implement the provisions of this Directive on deviations by amounts that do not exceed NIS 5,000 for “credit to individuals” and amounts that do not exceed NIS 100,000 for “commercial credit”, as those terms are defined in the Reporting to the Public directives, where there is an existing credit facility in the customer’s account. The interest rate on the deviation shall not exceed the interest rate established in the last credit facility agreed upon with the customer. Within 3 business days from the creation of the deviation, the bank is to contact the customer to notify the customer of the deviation, present him with the possibilities he faces, and the sides are to agree on the manner of continued handling of the deviation.”

Proper Conduct of Banking Business Directive no. 326 on “Project Finance”

10a. In Section 1(a)10, the end clause “within 14 days from the payment date” shall be deleted.

10b. In Section 2, the end clause “within 14 days from the payment date” shall be deleted.

Proper Conduct of Banking Business Directive no. 329 on “Limitations on Issuing Housing Loans”

11. (a) Notwithstanding the provisions of Section 4 of Proper Conduct of Banking Business Directive no. 329, a banking corporation may authorize a housing loan that is not for purchasing a property right up to an LTV of 70 percent, subject to a declaration by the borrower that the loan is not intended for the purpose of purchasing another home (investment home).

(b) At the end of Section 5 of Directive no. 329 shall be:

“For the purpose of estimating the income, a banking corporation may take into account the average amount of the borrower’s income in the 3 months preceding the borrower going on unpaid leave or decreasing to a part time position due to the coronavirus crisis (hereinafter, “going on unpaid leave”) given the fulfillment of all of the following conditions:

(1) In the bank’s assessment, when the coronavirus crisis passes, the borrower is expected to return to his employment at the level of income he had prior to going on unpaid leave.

(2) The borrower’s payment to income ratio, after going on unpaid leave, will not exceed 70 percent;

(3) The bank will establish an overall limitation for the scope of credit extended based on this easing.

(c) Section 14a of Directive 329 shall not apply to housing loans that were approved beginning from the start of the period of the temporary provision—March 19, 2020—and until the end of the Directive period.

Proper Conduct of Banking Business Directive no. 331 on “Distribution of Dividends by Banking Corporations”

11a. At the end of Section 4 of Proper Conduct of Banking Business Directive no. 331, the sign “(*)” shall be added. At the bottom of the page, the following footnote is to be added: “(*) See the explanatory remarks to the amendment of Proper Conduct of Banking Business Directive no. 201 dated March 31, 2020, within the framework of Proper Conduct of Banking Business Directive no. 250”.

Proper Conduct of Banking Business Directive no. 350 on “Operational Risk Management”

11b. At the end of Section 27 of Proper Conduct of Banking Business Directive no. 350, the following shall appear:

“If the period of 3 years ends during the course of 2020, the banking corporation may extend the completion of conducting the survey for a maximum of 6 months.”

Proper Conduct of Banking Business Directive no. 355 on “Business Continuity Management”

12. After Section 13 of Proper Conduct of Banking Business Directive no. 355, the following shall appear:

“Opening branches in a period of real concern of an adverse impact to the health of the public

13a. (a) In view of the establishment by the Supervisor of Banks that there is a real concern of an adverse impact to the health of the public, a banking corporation may determine that, as a rule, service in branches shall be provided subject to the setting of an appointment in advance, however, the banking corporation shall publish on its website the types of customers and cases in which service will be provided even without setting an appointment in advance.

13a. (b) A banking corporation may establish that not all its branches will be open to the public, provided that:

- (1) The share of branches that will be open to the public will not be less than 80 percent of the total number of the banking corporation’s branches (hereinafter, “in-person branches”);
- (2) The banking corporation shall determine the in-person branches taking into account appropriate geographical dispersion of the branches and their ability to provide banking services to customers;
- (3) The in-person branches shall offer teller services, at least, for those services that cannot be carried out via e-banking channels. The services shall also be provided to the bank’s customers whose branch is not an in-person branch.
- (4) The banking corporation shall determine work processes that will identify and provide a response for special cases to customers who cannot receive the services via e-banking channels and require in-person response;
- (5) The banking corporation is to verify the allocation of suitable resources for telephone response within a reasonable time for customers who belong to branches that are not in-person branches;
- (6) The banking corporation shall publish on the door of every branch that is closed the details of the closest in-person branch and the phone number of the banking corporation’s call center, and shall also publish a list of in-person branches on its website and through other means that it chooses.

(b.1) A banking corporation may change the operating hours of the in-person branches, as circumstances require, provided that the banking corporation

examined in the course of the decision using various means, including a notice to customers about the change, as soon as possible and about the alternatives available to them for receiving banking service.

(b.2) Subject to the provisions of Subsection (b)(1), a banking corporation may determine that some or all of the core branches, as noted in Section 13, shall be in-person branches.

(b.3) Notwithstanding the provisions of Section (b) above, the Supervisor of Banks may establish various directives regarding opening in-person branches and the operating hours on certain days and regarding the services that will be provided in them, if the Supervisor finds that the in-person branches are not enough to provide a suitable level of service on those days.

(c) The provisions of this section are subject to the guidelines of the authorized authorities.”

Proper Conduct of Banking Business Directive no. 357 on “Information Technology Management”

12a. In Section 11(a)(2) of Proper Conduct of Banking Business Directive no. 357, at the end shall be: “Regarding a security survey to which the period of 18 months applies, the banking corporation may extend such period by a maximum of 6 months with the reasoned authorization of the Chief Risk Officer”.

Proper Conduct of Banking Business Directive no. 360 on “Rotation and Uninterrupted Vacation”

12b. The following shall replace the provisions of Section 4(d) of Proper Conduct of Banking Business Directive no. 360:

(a) “Section (a) above shall not apply to an employee in a year in which the employee—for other reasons (such as reserve military service, illness, forced vacation, unpaid leave, etc.)—is absent from work uninterruptedly and was not within the premises of the bank for the period set for uninterrupted vacation in the employee’s position, provide that in that period the employee did not carry out activities in the bank’s systems, and the bank verified that.

(b) For employees who from the beginning of March through the end of May 2020 only worked alternately for less days than usual in the work week, and was on vacation on the other regular business days, the following shall apply, provided that the employee was not within the premises of the bank and during the vacation days did not carry out activities in the bank’s systems, and the bank verified that:

(1) If such employees do not fulfill functions that were defined as sensitive in accordance with Section 4(a)(2), they shall not be required to fulfill the provisions of Section 4(a)(1) in 2020.

(2) If such employees do fulfill functions that were defined as sensitive in accordance with Section 4(a)(2), they shall be required to utilize

consecutively, in 2020, out of their annual vacation allotment, a period that is not less than 6 consecutive business days.”

Proper Conduct of Banking Business Directive no. 367 on “E-banking” and no. 420 on “Sending Notices via Means of Communication”

13. Notwithstanding the provisions of Section 28 of Proper Conduct of Banking Business Directive no. 367, and of Section 5 of Proper Conduct of Banking Business Directive no. 420, a banking corporation may send notices to its customers via e-banking channels, offering them to join such services and guiding them in how to do so, even if the customer is not signed to an e-banking agreement for the channels through which the notice was sent. In addition, a banking corporation may send notices offering to issue a payment card to customers who do not have another payment card issued by that corporation, via e-banking channels.

13a. In Section 19(c) of Proper Conduct of Banking Business Directive no. 367, “NIS 50,000” shall be replaced by “NIS 100,000”.

Proper Conduct of Banking Business Directive no. 411 on “Management of Anti-Money Laundering and Combating the Financing of Terrorism Risks”

13b. (1) In Section 78 of Proper Conduct of Banking Business Directive no. 411, “NIS 50,000” shall be replaced by “NIS 100,000”.

(2) The following Appendix B2 shall be added to Proper Conduct of Banking Business Directive no. 411 – “Management of Anti-Money Laundering and Combating the Financing of Terrorism Risks”:

Arrangement Established by the Supervisor of Banks for the banks under Section 7a of the Prohibition on Money Laundering (The Banking Corporations’ Requirements regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 5761–2001 (“the Order”):

- (a) A banking corporation may impose the provisions of Sections 6a(a)(2) and 6a(b) of the Order in each of the following cases:
 - (1) Issuance of a payment card to an individual, with an activity facility that does not exceed NIS 100,000;
 - (2) Increasing the amount of activity in an existing payment card for an individual up to an amount that does not exceed NIS 100,000;
 - (3) Extending a loan to an individual via payment card, provided that the amount of the loan does not exceed NIS 100,000;
- (b) In the cases noted above in Subsection (a), a banking corporation may record the identification details according to a copy of an identification document issued by the State of Israel, bearing the name, identification number, date of birth, and picture;

(c) In this section, “payment card”—a payment card for which the charges for debits made using it are carried out through a current account at a banking corporation that is not the issuer or a partner in the issuance arrangement.

(3) The following Appendix B3 shall be added to Proper Conduct of Banking Business Directive no. 411 – “Management of Anti-Money Laundering and Combating the Financing of Terrorism Risks”:

“Arrangement Established by the Supervisor of Banks for the banks under Section 7a of the Order:

Notwithstanding the provisions of Sections 2(e) and 4(a) of the Order, when opening an additional account at the request of a lawyer, accountant, or rabbinical court pleader, on behalf of a specific customer, the banking corporation may accept a declaration without an original signature given the following conditions:

- (a) Authorization is provided by the person responsible for fulfilling the obligations under Section 8 of the Law or someone on their behalf.
- (b) When interfacing with the account holder, the banking corporation shall act to receive a declaration with an original signature.
- (c) The banking corporation shall establish risk-based controls and anchor them in procedures.

In this arrangement:

“Customer”—a customer who is an individual, as defined in the Order

“Lawyer”—One holding a license to practice law in Israel

Proper Conduct of Banking Business Directive no. 426 on “Provision of a Professional Human Telephone Response”

13c. In Section 4 of Proper Conduct of Banking Business Directive no. 426, in the definition of “Senior citizen”, “75” shall be replaced by “70”.

Proper Conduct of Banking Business Directive no. 432 on “Transferring Activity and Closing a Customer’s Account”

13d. In Section 14 of Proper Conduct of Banking Business Directive no. 432, “5 business days” shall be replaced by “14 business days”.

Proper Conduct of Banking Business Directive no. 439 on “Debits by Authorization”

14. Notwithstanding the provisions of Sections 7(a) and 8(a) of Proper Conduct of Banking Business Directive no. 439, a banking corporation may receive from a customer an instruction to cancel a specific debit by authorization and the

authorization to debit an account via telephone, provided that the conversation is documented.

Proper Conduct of Banking Business Directive no. 450 on “Debt Collection Proceedings”

14a. In Section 13(b) of Proper Conduct of Banking Business Directive no. 450, “his signature” shall be replaced by “documented receipt of his consent”.

Proper Conduct of Banking Business Directive no. 451 on “Procedures for Extending Housing Loans”

14b. In Section 11(b)(2), “14 business days” shall be replaced by “1 calendar month”.

14c. In Section 15b(e), “3 business days” shall be replaced by “8 business days”.

14d. In Section 15c(b), “5 business days” shall be replaced by “8 business days” and in Section 15c(c), “2 business days” shall be replaced by “6 business days”.

Application and Transition Provisions

15. The Directive shall be in force until March 31, 2021, (hereinafter, the end of the Directive period).

16. Notwithstanding the provisions of Section 15:

(1) The leniency established in Sections 3a and 8 above shall be in force for 24 months from the end of the Directive period, provided that:

(a) Regarding Section 3a—The banking corporation’s capital ratios are not less than the capital ratios on the date of the end of the Directive period or the minimum capital ratios that apply to the banking corporation prior to the temporary provision, the lower of the two;

(a1) Regarding Section 3b—the leverage ratio shall not be less than the share on the date of the end of the Directive period or the minimum leverage ratio required of the banking corporation prior to the temporary provision, the lower of the two;

(b) Regarding Section 8—The share of indebtedness does not exceed the share on the date of the end of the Directive period or 20 percent, the higher of the two.

(1) The leniency established in Sections 5c and 11b shall apply until the end of June 2021.

(2) The leniency established in Section 12b shall apply until the end of 2020.

(3) The leniency established in Sections 10a-10b, 13d, and 14a-14d, shall apply until September 30, 2020.

17. If a banking corporation acted in accordance with the provisions of Sections 13a and 13b of this Directive, the banking corporation shall act to complete the identification, verification, and declaration of beneficiary obligations with an original signature in accordance with the law as formulated prior to the applicability of this amendment, within 3 months from the end of the application period of the Directive.

Revisions

Circular 06 number	Version	Details	Date
2611	1	Original directive	March 18, 2020
2612	2	Update	March 31, 2020
2614	3	Update	April 1, 2020
2615	4	Update	April 7, 2020
2618	5	Update	April 27, 2020
2619	6	Update	May 5, 2020
2621	7	Update	June 1, 2020
2622	8	Update	June 23, 2020
2625	9	Update	September 16, 2020
2626	10	Update	September 22, 2020
2633	11	Update	November 15, 2020