

ROTATION AND UNINTERRUPTED VACATION

Introduction

1. A policy of rotation among managers and staff, and a policy that obliges employees to take some of their annual holiday entitlement as an uninterrupted vacation constitute important components of a banking corporation's internal audit. Among other things, they make embezzlement and fraud more difficult, and lead to their early detection.

Application

2. This regulation shall apply to banking corporations, including their overseas branches, foreign banks and bodies corporate as specified in section 11(a)(3a) to (3c) and (11)(b) of the Banking (Licensing) Law, 5741-1981.

Rotation

3. (a) The board of directors of a banking corporation shall set a policy of rotation for managers and for other staff.
 - (b) The rotation policy shall relate to the following issues, among others:
 - (1) Identification of sensitive positions that should be subject to rotation;
 - (2) The maximum time that a manager or employee may hold each of the sensitive positions identified, based on the level of sensitivity and the risks related to it;
 - (3) The sensitive positions (among those identified in subsection (1) herein) for which - for reasons explained in the statement of policy - there are difficulties that seem to prevent the implementation of rotation with the desired frequency;
 - (4) The subjection of the positions referred to in subsection (3) herein to special internal audits (specifying the substance and the frequency of the audit, the tools for performing the audit, the person responsible for carrying out the audit, etc.); this is to compensate for the deferment of the rotation in those positions.

Uninterrupted Absence

4. (a) (1) Every manager of a banking corporation and his staff shall be obliged to take as uninterrupted vacation a certain minimum number of days of their annual holiday

entitlement, the number of days to be determined by the banking corporation. With regard to sensitive positions, the minimum number of days shall be at least ten consecutive business days, and with regard to other positions, at least six business days.

- (2) The sensitive positions shall be specified in advance by the banking corporation, and shall specifically include those positions referred to in subsection 3(b)(3) above.
- (b) (1) During the period of his uninterrupted vacation a staff member shall not be allowed on the bank's premises, and he shall be replaced by another staff member.
- (2) The banking corporation shall determine means that shall cancel an employee's authorization or ability to perform transactions during the period of his uninterrupted vacation, or it shall determine a control mechanism that shall identify any transaction carried out by an employee during his uninterrupted vacation.
- (c) As far as possible, the substitute for someone in a sensitive position while that employee is on his uninterrupted vacation shall not be an employee in the same branch or unit as the holder of the sensitive position. The banking corporation shall determine what positions are sensitive in this regard, and who are the appropriate substitutes.
- (d) Subsection (a) above shall not apply to an employee in a year when for other reasons (such as reserve military duty or sickness) he has been absent from work and has not entered the bank for a period defined as the period for uninterrupted vacation, and was substituted by another employee during his absence, provided that in that period the arrangements specified in subsection (b) above were in operation.
- (e) Exceptional situations in which the management was unable to enforce this regulation on a particular staff member or type of staff members, shall be handled by specific mechanisms for such cases, to be determined in advance by the audit committee.

Supervision and monitoring

- 5. The banking corporation shall define control procedures and those responsible for constant monitoring of the implementation of the policy of rotation and of uninterrupted vacation.

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