

Interest rate reduction or increase

1. For loans in which the interest rate is not fixed, and is not known for the entire term of the loan, as well as for loans which are granted in parts, the banking corporation shall act as follows:
 - a. On dates on which the interest rate on the loan changes, the reduction or increase will apply to the same base interest rate used when the loan was granted.
 - b. Notwithstanding the provisions of Section a above, on variable rate loans for which the base interest rate is LIBOR, the banking corporation may establish a mechanism for changing the increase or reduction that shall apply in extreme cases, provided all the following provisions apply:
 - i. The mechanism shall be objective and external to the banking corporation
 - ii. The mechanism shall be quantifiable
 - iii. The mechanism shall be symmetrical in the direction of an interest rate increase and an interest rate reduction
 - iv. The banking corporation shall provide full disclosure in the loan agreement with regard to the mechanism of changing the reduction or increase, as well as disclosure of the manner it was changed in the past.
2.
 - a. For deposits in which the interest rate is not fixed and is not known for the entire term of the deposit, as well as for deposits which renew periodically in accordance with instructions provided by the customer in advance, the banking corporation shall act as follows: On dates on which the interest rate on the deposit changes or the deposit renews, the reduction or increase will apply to the same base interest rate used when the deposit was made.
 - b. The banking corporation is permitted not to act in accordance with Section 2a in a case in which the customer withdraws part of the amount deposited during the term of the deposit or at the renewal date.
3. In this Directive:

“**Loan**”—including an approved credit facility in the account, or credit facility on a debit card as defined in the Debit Cards Law, 5746–1986.

“**Base interest rate**”—an external objective interest rate, such as the Prime Rate, LIBOR, or the Accountant General’s Interest Rate.

“**Banking corporation**”—as defined in the Banking (Licensing) Law, 5741–1981, including an auxiliary corporation which is a credit card company.
4. This directive shall apply to loans and deposits, of an “individual” and of a “small business”, as defined in the Banking (Service to Customer) (Fees) Rules, 5768–2008.
5. This directive shall come into effect on 1.1.14, except for Section 2 of the directive which shall come into effect on 1.7.14.

Updates

Circular 06 no.	Version	Details	Date
2398	1	Original directive	9/9/13
2394	2	Revision	31/12/13