

Banking Supervision Department

Policy and Regulation Division

May 25, 2022

Circular no. C-06-2710

To:

The banking corporations and credit card companies

**Re: Liquidity coverage ratio and net stable funding ratio
(Proper Conduct of Banking Business Directives no. 222 and no. 221)**

Introduction

- 1) Due to the experience accumulated in implementing Proper Conduct of Banking Business Directive no. 221 (Liquidity coverage ratio) and questions raised, the need arose to update the definition of Financial Institution included in Proper Conduct of Banking Business Directives no. 221 and no. 222.
- 2) After consultation with the Advisory Committee on Banking Business Affairs and with the approval of the Governor, I have decided to amend the Directives as follows:

The amendment to the Directives

Proper Conduct of Banking Business Directive no. 222

Definitions (Section 1.10)

- 3) The definition of Financial Institution was changed to the following: “An entity that deals in financial activity, including banks, securities companies, insurance companies, trustees (in this regard, a legal entity that is authorized to manage assets for a third party, including asset management entities such as pension funds and other collective investment instruments), and beneficiaries (in this regard, a legal entity (that is not an “natural person” as described in the Directive) that receives or could be eligible to receive payments based on a will, insurance policy, retirement plan, annuity, provident fund, or other contract). In addition, a holding company whose main activity is a holding in one or more financial institutions is considered a financial institution in this Directive. For this purpose, use may be made of the classification by the Central Bureau of Statistics (“financial services and insurance services” economic industry).”

Explanatory remarks

The term “Financial Institution” that appears in this Directive and in Proper Conduct of Banking Business Directive no. 221 is defined in this Directive. In view of the experience accumulated and questions raised, there was apparent need to clarify the definition.

Proper Conduct of Banking Business Directive no. 221

Section 54

- 4) A referral was added, referencing the definition of “Financial Institution” in Section 1.10 of Proper Conduct of Banking Business Directive no. 222.

Application

- 5) The update pursuant to this Circular shall begin on January 1, 2023.

Updating of the file

- 6) Attached are the update pages to the Proper Conduct of Banking Business file. Following are the updates:

Remove page	Insert page
(7/18) [2] 221-1-48	(5/22) [3] 221-1-48
(6/21 [1] 222-1-21	(5/22) [2] 222-1-21

Sincerely,

Yair Avidan
Supervisor of Banks