



June 23, 2020

**Circular no. C-06-2622**

Attn:

**Banking corporations and credit card companies**

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

(Proper Conduct of Banking Business Directive no. 250)

**Introduction**

1. Pursuant to the temporary provision from June 1, 2020, following are additional easing steps formulated by the Banking Supervision Department, with the goal of supplying banking corporations the managerial flexibility required at this time, to support them in the anomalous conditions that have been created.
2. After consultation with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, I have established the following Proper Conduct of Banking Business Directive as detailed below.

**Main revisions to the Temporary Provision**

**Proper Conduct of Banking Business Directive no. 307 on “Internal Audit Function” (Section 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. 350 on “Operational Risk Management” (Section 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.”

### **Explanatory remarks**

Banking corporations that were supposed to complete part of the multiyear survey of gaps in 2020, encountered difficulty in completing them, in view of the coronavirus crisis that led to a reduction in the labor force and the shift of existing resources to handling other urgent issues. This refers to the completion of gaps surveys on the issue of the internal audit and operational risks (Proper Conduct of Banking Business Directives 307 and 350), for which the end of the cyclical period for carrying them out was in 2020.

The goal of the amendment is to make things easier for those banking corporations and to defer the final date by 6 months if it occurs during 2020, in order to enable banking corporations to complete carrying out the survey without detracting from the banking corporations' other obligations in this regard.

### **Proper Conduct of Banking Business Directive no. 360 on “Rotation and Uninterrupted Vacation” (Section 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 were 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.”

### **Explanatory remarks**

The amendments made in the Directive are intended to enable the banking system to better manage the implementation of the uninterrupted vacation obligation in 2020, given that during the emergency period some of the workers worked alternately (for example, 3 days of work followed by 3 days of vacation).

It was decided to provide an easing in the Directive, even though during the emergency period characterized by a shortage in the workforce and the shifting of control resources, there is a concern of an increase in the risks of fraud and embezzlement.

As such, the Banking Supervision Department expects that the banking corporations will enhance the supervision and control in this area this year, and will establish specific control mechanisms as required in Section 4(e).

The amendments in the Directive, regarding only the year 2020, are as follows:

For an employee who was on vacation from the beginning of March through the end of May 2020, the vacation will be considered as fulfilling the requirement for uninterrupted vacation provided that it is in line with the length of the period established for uninterrupted vacation in the position, and that during that period the employee was not present on the bank's premises and did not carry out activities on the bank's systems. This is regardless of whether a replacement was appointed for the worker or not.

Employees who do not fulfill functions that were identified as sensitive shall be exempt from fulfilling the provisions of Section 4(a)(1), provided that in the period between the beginning of March and the end of May they worked alternately (for example, 3 days of work followed by 3 days of vacation).

Employees who do fulfill functions that were identified as sensitive shall be required to take uninterrupted vacation of 6 consecutive business days, instead of 10 consecutive business days, provided that in the period between the beginning of March and the end of May they worked alternately (for example, 3 days of work followed by 3 days of vacation).

### **Application**

The start date of the amendments to the Directive is the publication date of this circular.

### **Update of file**

Update pages for the Proper Conduct of Banking Business Directive file are attached. Following are the provisions of the update:

**Remove page**

(June 1, 2020) [7] 250-1-7

**Insert page**

(June 23, 2020) [8] 250-1-8

Respectfully,

Yair Avidan  
Supervisor of Banks