



March 15, 2020  
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**To: CEOs of the banks and credit card companies**

**Re: Supervisory steps in response to the coronavirus crisis—temporary provisions**

Dear Sirs:

In view of the development of the coronavirus event and its ramifications on the economy worldwide and in Israel, including every household and business, I begin by emphasizing that the banking system in Israel is robust and as such is prepared to support and assist its customers at this time. The banks are facing this event with capital surpluses, high capital ratios, and a credit portfolio that is diversified among many borrowers and at high quality. Times like this make clear the great advantage in strict insistence on stability during routine times.

Pursuant to a meeting that the Governor and I held with bank CEOs at the beginning of last week, in which we discussed the situation and how the banking system can support businesses and households and provide a response to the needs of the entire economy and the immediate challenges, **we would like to note positively the banking system's complete joining in to the effort**, which was reflected in many initiatives published by various banks to their customers over the past week:

- 1. Easings in mortgage repayments**, through deferring the current payment for a period of several months;
- 2. Loans to good small and medium sized companies** that faced a liquidity problem due to the situation—within the framework of the fund for small businesses that is operated by the State, and through designated independent programs that banks designed for businesses;
- 3. Recommendations for deposits adjusted** to the volatility in the markets;
- 4. Suggestions for expanded digital remote services**, in order to make things easier for customers who are not interested or who cannot arrive at branches at this time, and in particular establishing a dedicated call center for senior citizens;
- 5. Provision of messenger services to customers who are in isolation.**

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Against the background of the need to assist households and companies to make it through this challenging period, relying on the strength of the banking system, following are the regulatory adjustments that we intend to establish:

**a. Increasing customers' credit facilities (households and companies):**

In accordance with the Fair Credit Law (Section 15a4), a bank may increase the credit facility for a customer unilaterally, at the existing terms, provided that after the date of the increase it sends the customer documentation of the increase of the credit facility, the size of the new facility, and the interest rate that will apply to it. As in these days there will be more customers who face cash flow difficulties, and as a result are even liable to have checks returned due to insufficient cover, the banking corporations are to work during the easing period in accordance with the law, and the greater stringency to the currently established law on this issue in the supervisory directives shall not be imposed (the easing is in regard to Section 8 of Proper Conduct of Banking Business Directive no. 325).

**b. Loans for any purpose secured by a home (Proper Conduct of Banking Business Directive no. 329):**

With the goal of assisting the public and providing a response to households' credit needs, a banking corporation will be permitted to extend a loan for any purpose secured by a home (a housing loan that is not for the purpose of acquiring property rights), at an LTV of up to 70 percent (prior to the easing the limitation is an LTV of up to 50 percent).

Extending the loan in accordance with the easing shall be subject to a declaration by the borrower that the deviation from the LTV of 50 percent is not for the purpose of acquiring an additional home (an investment home).

**c. Easings for the public with the goal of allowing the carrying out of banking activities without going to the branch (Proper Conduct of Banking Business Directive no. 367 on "e-banking"):**

c1. In order to enable customers to carry out remote banking, and thus greatly reduce entries into the branch, the Banking Supervision Department wishes to clarify that our directives already allow customers to remotely join "e-banking", for the purpose of receiving information and for carrying out transactions via a range of channels such as by phone, website, banking application, and without arriving at the branch. **We call on the banks to find additional ways to save customers trips to the branches for various banking reasons.** In this regard, banks and credit card companies are

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permitted and invited to send their customers notices via digital channels, offering their customers to join the digital banking services and guiding them in how to do so.

c2. With the goal of making it easier for customers, the Banking Supervision Department will allow the banks **to receive instructions from their customers to cancel a specific debit among authorized debits, and authorized debits, via telephone** and not just in writing (amendment to Sections 7(a) and 8(a) of Proper Conduct of Banking Business Directive no. 439).

**d. Cash via ATMs**

In order to continue to ensure an orderly supply of cash services to customers, the Bank of Israel is temporarily allowing a change in the composition of banknotes in automated teller machines (that is, to shift from NIS 20 and NIS 50 banknotes to NIS 100 and NIS 200 banknotes) so that each machine will be able to contain a maximum cash value.

**e. (Future) easings for customers whose checks were returned**

If a civilian emergency situation is declared, (in accordance with Section 90b of the Police Ordinance), the Banking Supervision Department will use its authority to guide the banks not to restrict an account or account holder in respect of refused checks (the suspension period is limited by law to 90 days).

**f. Limitation on the construction and real estate industry** (Proper Conduct of Banking Business Directive no. 315 on Industry Indebtedness Limitation)

With the goal of supporting the continued activity of the real estate industry and assisting contractors to meet increasing financing needs, in view of the expected shortage of workers and delays in construction, banks will be able to increase credit to the construction and real estate industry, so that total credit (net of indebtedness for national infrastructures) shall increase from 20 percent to 22 percent of total public indebtedness (with the total limitation, including infrastructures, at 24 percent). This step will allow the continued financing of the construction and real estate industry and support the growth of the economy.

**g. Board of directors meetings with remote participation and use of technology** (Proper Conduct of Banking Business Directive on the Board of Directors):

With the goal of allowing continued proper functioning of the board of directors, and in parallel to reduce the need for in-person meetings, it will be possible to hold meetings via means of communication on all issues, notwithstanding the provisions of Section 49 of Proper Conduct of Banking Business Directive no. 301.

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#### **h. Start date**

The easing will go into effect after consultation with the Advisory Committee on Banking Business, with their publication on the Bank of Israel website, and will be in force until September 30, 2020. To the extent necessary, the Bank of Israel will extend the applicability of the easings in accordance with developments.

With regard to easings related to the construction and real estate industry limitation, with the cessation of the easing, the banks will be given a preparation period of a year and a half to adjust the credit balance to the limitations as they were prior to these changes.

#### **Risk management**

Obviously we see the importance in continued monitoring of the developing risks (in the areas of credit, cyber risk—in view of expanded use of remote work, market risks—in view of market volatility, etc.), in reporting to the Banking Supervision Department, and in the banking system's preparation for scenarios at various levels of severity.

**We emphasize that the easings in this letter are intended to provide you with the business flexibility needed at this time, but it is extremely important that decisions regarding the extension of credit and assistance to businesses and households are in accordance with the risk assessment and risk tolerance of the bank in each individual case.**

This is a challenging period at the national level and due to the resilience and robustness of the banking system it will be possible to assist the economy and the public to get through it with the smallest possible adverse impact.

Sincerely,

Dr. Hedva Ber  
Supervisor of Banks

cc: Governor of the Bank of Israel Prof. Amir Yaron