



July 2, 2018

**Circular no. C-06-2563**

Attn:

**Banking corporations and credit card companies**

**Re: Capital Adequacy and Measurement—the Standardized Approach—Credit Risk**  
(Proper Conduct of Banking Business Directive no.203)

**Introduction**

1. This amendment of the Directive is due to the legislation of the Enhancing Competition and Reducing Concentration in the Banking Sector in Israel (Legislative Amendment) Law, 5777-2017, and the expected changes due to it that have to do with credit card companies.
2. After consultation with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, I have amended this Directive.

**Main Changes to the Directive**

**1. “Claims on banks”—(Major Section 4 of the Directive)**

- 1.1. Section 60 of the Directive—the definition of “credit card company” was added

**Explanation**

In view of the changes in ownership and control in credit card companies, a credit card company will not necessarily be an auxiliary corporation.

- 1.2. Section 61 of the Directive—the update establishes that the risk weight of a credit card company, as defined above, will be one category lower than the risk weight derived from the State of Israel’s rating.
- 1.3. Section 64 of the Directive—the update establishes that credit card company debt for three months or less is to be weighted with a risk weighting of 20 percent.

**Explanation**

A credit card company will receive a rating for capital allocation purposes as if it were a banking corporation, even after being separated from the banking corporation.

**2. “Higher-risk categories” (Major Section 11 of the Directive)**

- 2.1. Section 79 of the Directive—the update establishes that claims on a credit card company, rated lower than B-, will be risk weighted at 150 percent or higher.

**Explanation**

Credit card company debt will be weighted for capital allocation purposes as if it were a banking corporation, including the circumstances for increasing the severity of the risk weighting, such as in the case noted of a rating below B-.

**Effective date**

3. The changes to this directive shall go into effect with its publication.

**Update of file**

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

**Remove page**

(3/18) [6] 203-1-86

**Insert page**

(7/18) [7] 203-1-86

Respectfully,

Dr. Hedva Ber  
Supervisor of Banks