

Jerusalem, October 22, 2023
Circular Number C-06-2760

Attn:
Banking Corporations and Acquirers

**Re: Adjustments to Proper Conduct of Banking Business Directives
in order to deal with the Swords of Iron War (Temporary Directive)
(Proper Conduct of Banking Business Directive no. 251)**

Introduction

1. In view of the eruption of the Swords of Iron War on October 7, 2023, and its implications for the Israeli economy, and to help the banking system and its customers to cope with the challenges that the situation is creating, below is a series of easing measures that the Banking Supervision Department has aggregated into a Temporary Directive.
2. The adjustments in this Directive are meant to give banks and acquirers the business flexibility that they need at this time to lighten the burden on customers who have been harmed by the state of war. This Ad Hoc Directive shall be updated from time to time as required.
3. After consulting with the Advisory Committee on Banking Business Affairs and with the approval of the Governor, I have established this Directive. The regulation was not accompanied by the publication of a report under the Principles of Regulation Law, 5781-2021, in view of “concern about real impairment of a protected interest that mandates the establishment of urgent regulation” (Section 34(c)(1) of the Law).

Main provisions of the Directive

4. **Proper Conduct of Banking Business Directive 308A, “Handling of Public Complaints” (Sections 3–5 of the Directive)**

Adjustments were made to Sections 9(a)–(d) and 10(a) of Directive 308A, concerning the way the banking system handles enquiries from the public and the manner in which the Banking Supervision Department responds to enquiries.

Explanatory notes

The Directive sets standards for in-depth and thorough handling of public complaints in ordinary times. In view of the state of war and its impact on the activities of the banking corporations’ ombudsmen *inter alia*, adjustments to Directive 308A are needed in order to optimize the response in this situation. Said adjustments will allow ombudsmen to focus especially on responding to urgent enquiries, particularly in regard to customers who have suffered harm and those who find themselves in economic hardship due to the state of war. For this purpose, banking corporations are given flexibility in the way that they respond to customers’ inquiries and serve notice in regard to them, and concerning the method of notification concerning extension of the timeframe for the response. In addition, the Supervisor is given the additional authority, under

exceptional circumstances, to allow a banking corporation a longer timeframe to respond to an enquiry from the Banking Supervision Department in regard to complaints at large.

5. Proper Conduct of Banking Business Directive no. 325 on “Management of Credit Facilities in Current Accounts” (Section 6 of the Directive)

Overrun sums are established, in accordance with the type of customer, for which a banking corporation is entitled not to specify and assent, in advance and in writing, to the settlement of a framework within one business day, provided it take action to settle the facility as promptly as possible.

Explanatory notes

According to Section 4(a) of Directive 325, “If a customer requests the banking corporation to honor a specific debit due to which an overrun of the credit facility is projected, the banking corporation is permitted, at its discretion, to honor the request. However, if the approved overrun exceeds one business day, then a framework—albeit temporary—that is compatible with the scope of credit requested...will be defined and agreed upon in advance in writing”. In accordance with this Directive, overruns must be settled by anchoring them in an agreement between the banking corporation and the customer within one business day.

At the present time, customers may encounter cash-flow difficulties due to the state of the war. The amendment to the Directive is meant to enable a banking corporation to allow a deviation from the credit limit for a period of time longer than one business day, in the course of which the limit shall be settled with the customer, provided the banking corporation acts to settle the said limit as promptly as possible, taking into account the challenges that it and the customer face due to the state of the war.

To complete the picture, it is stated for clarity that said amendment shall not derogate from any other statute, including the Fair Credit Law, 5753-1993.

6. Proper Conduct of Banking Business Directive no. 367 on “E-Banking” (Sections 7–8 of the Directive)

6.1 Section 7 of the Directive—in accordance with the amendment, the following Subsection (4) is added to Section 29b of Directive 367: “Notices of material effect on the customer, provided it is urgent for the customer to receive the message.”

6.2 Section 8 of the Directive—it is established that a banking corporation may also apply the provisions of Section 19(c) to an acquiring account in which the annual acquiring turnover does not exceed NIS 200,000, provided the increase in acquiring turnover is needed for war-relief purposes. Also, the banking corporation must act to complete the identification and authentication proceedings of a customer who owns an acquiring account as promptly as possible, under the circumstances of the matter, from the date on which the acquiring turnover exceeds NIS 50,000.

Explanatory notes

Section 6.1 above: In accordance with Section 28 of Directive 367, a banking corporation must conclude an agreement with the customer for the provision of e-banking services. At the present time, many customers have been called into the army reserves or have been forced to leave their homes. Due to concern that customers will not receive letters at their residential addresses, banks and acquirers are given the option, in addition to sending notification in the manner agreed upon with the customer, such as by Israel Post, to send their customers notices that have material effect via e-banking channels, provided it is urgent for the customer to receive the message, even if he or she is not a party to an e-banking agreement. It is clarified that said notifications also include notifications concerning the bank's conduct in the state of emergency (e.g., contact details of its emergency hotlines) and notifications about benefits that the bank gives its customers in existing products and services, in order to help them to cope with the war. The provisions of this Section shall not apply to cases in which the customer has explicitly asked not to receive notifications via e-banking media. It is also stated for clarity that this does not derogate from a customer's right not to conclude an agreement with a banking corporation for the provision of e-banking services, to ask to stop receiving said notifications, and to be allowed to submit such a request simply and easily. It is further clarified that non-urgent information, including information dealing with signing up customers for e-banking services, shall not be added to urgent notifications that are sent to said customers.

Section 6.2 above—to provide assistance in view of the war, such as helping families of casualties and missing persons, and supporting the activities of security entities and rescue and relief forces, it is stated that total funds transfers for which more lenient identification and authentication proceedings may be invoked is raised from NIS 50,000 to NIS 200,000. Nevertheless, a banking corporation must act to complete the customer identification and authentication process as promptly as possible under the circumstances at hand from the day on which total funds transfers exceed NIS 50,000.

7. Proper Conduct of Banking Business Directive no. 411 on “Management of Anti-Money Laundering and Countering Financing of Terrorism Risks” (Section 9 of the Directive)

7.1 Appendix B.6 will be added to Directive 411, creating the possibility, in exceptional cases in which there are special reasons originating in the security situation and in accordance with the banking corporation's risk assessment, of acting in accordance with the provisions of Section 6a(a)(2) of the Order pertaining to activity in payment cards that are issued to an individual up to a limit that shall not exceed NIS 100,000, including receiving credit, provided the reasoning and the reasons for said action are documented. Furthermore, expanded permission is given in such cases to rely on a copy of an identification document, that is not an ID card, provided it is issued by the State of Israel, that it bears a name, an ID number, a date of birth, and a photograph, to identify a customer who is an Israel resident.

7.2 It was determined that a banking corporation may apply the provisions of Appendix B.2 to total funds transfers and debits that do not exceed NIS 200,000 per year, and for payment accounts in which the accrued balance does not exceed NIS 100,000 (with the exception of a

current account), in cases where the purpose of the service recipient’s activity is raising war-relief funds, under certain conditions.

Explanatory notes

Section 7.1 above—In order to help credit card companies to respond to the needs of households which, due to the security situation, need to issue debit cards in order to make payments or receive credit, the credit card companies may act in accordance with the provisions of Section 6a(a)(2) of the Order in regard to activity in debit cards issued to an individual up to a limit of NIS 100,000, including receiving credit, subject to the companies’ risk assessment and documentation of the grounds and the reasons therefore. In addition, in view of the difficulties that have arisen at the present time and to alleviate the burden on customers, acquirers are given broader latitude in relying in such cases on a copy of an identification document issued by the State of Israel that bears a name, an ID number, a date of birth, and a photograph, that is not an ID card, such as a driver’s license, to identify a customer who is an Israel resident.

Section 7.2 above—to help banking corporations respond to the growing need for raising war-relief funds, such as aid to families of casualties and missing persons, and support the activities of security entities and rescue and relief forces, permission is given to apply the provisions of Appendix B.2 up to the limit of funds transfers and debits that do not exceed NIS 200,000 per year, and for payment accounts in which the accrued balance does not exceed NIS 100,000 (with the exception of a current account). The banking corporation shall ascertain that the activity in the account is for the purpose of relief as aforesaid and shall monitor activity in said accounts.

Beginning date and effect

- 8 (a) This Directive shall go into effect on the day of its publication and shall remain in effect until December 31, 2023.
- (b) Notwithstanding the provisions of Subsection (a), Section 7 of the Directive shall remain in effect for a month from the date on which the Directive is published.
- (c) Insofar as shall become necessary and in accordance with the situation, adjustments to the effect of the Directive shall be made.

File update

- 9. Update pages for the Proper Conduct of Banking Business Directives file are attached. The following are the update instructions:

Remove page

Insert page

251-1-3 [1] (10/23)

Respectfully,

Daniel Hahashvili
Supervisor of Banks