Banking Supervision Department
Jerusalem
October 30, 2024
Circular Number C-06-2802

Attn:
Banking corporations and Payment Service Provider with Prudential Importance License Holders

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 "Swords of Iron" War that began on October 7, 2023, and its ramifications on the Israeli economy, and to help the banking system and its customers cope with the situation's challenges, a Proper Conduct of Banking Business Directive was issued regarding these issues.
2. The adjustments in this Directive are meant to give the banking corporations to which the relevant Directives apply the business flexibility needed at this time, in order to lighten the burden on customers who have been adversely impacted by the state of war. This Temporary 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 amended the following Proper Conduct of Banking Business Directive as detailed below. The regulation was not accompanied by the publication of a report under the Principles of Regulation Law, 5782-2021, out of "concern about material substantial impairment of a protected interest that mandates the urgent establishment of regulation" (Section 34(c)(1) of the Law.
4. The amendment to the Directive was established for a set period of time, as it is a temporary directive, the goal of which is detailed in Section 1 above.

Main provisions of the Directive

5. **Proper Conduct of Banking Business Directive no. 311 on "Credit risk management" (Section 5a and 5b of the Directive)**
   5.1. Section 27a of the Directive—the period for which a report will be considered as updated has been extended by 3 months, for a total of 12 months from the financial statement date.
   5.2. Section 27c of the Directive—the period for which semiannual financial statements can be produced has been extended by 3 months, for a total of 6 months from the end of the period that ends on June 30.

   Explanatory notes

   In view of the Swords of Iron War and enquiries received by the Supervisor of Banks, there is apparently a negative impact on the ability to prepare financial statements on time. In order to allow the extending of credit to borrowers who have not yet produced financial statements due to the above, it was decided that a 3-month extension would be provided with regard to the requirement to receive an updated financial statement as determined in Section 27a and with regard to the obligation set in Section 27c; this extension shall apply whether it is in a format set by the banking corporation or in the financial statement format.

6. Commencement

The starting date of the amendment to the directive as detailed in this circular shall be the date it is published on the Bank of Israel website.

Application

7. (a) This directive and the amendments to the directives established in it shall be in force until December 31, 2024.

(b) Notwithstanding the provisions of Subsection (a)—

(1) Cancelled

(2) Cancelled

(3) Section 6.i of the Directive shall remain in force until the end of the validity period of the Planning and Building (Projects and Buildings exempt from a permit) (Temporary Directive—Swords of Iron) Regulations, 5784-2023 that were published by the Home Front Command in a file of regulations on October 26, 2023.

(4) Cancelled.

8. File update

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

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Respectfully,

Daniel Hahiashvili
Supervisor of Banks