

Banking Supervision Department
Jerusalem, December 28, 2023
Circular Number C-06-2771

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 cope with the situation’s challenges, below is a series of easing measures that the Banking Supervision Department has formulated, within the framework of a Temporary Directive.
2. The adjustments in this Directive are meant to give banks and credit card companies 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 established this 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, in view of “concern about substantial impairment of a protected interest that mandates the urgent establishment of regulation” (Section 34(c)(1) of the Law).

Main provisions of the Directive

**Proper Conduct of Banking Business Directive 311A on “Consumer Credit Management”
(Section 5.2.a of the Directive)**

4. Within the framework of the temporary directive, it was established that Section 21.4 of Proper Conduct of Banking Business Directive no. 311A shall not apply until the end of the validity period of Proper Conduct of Banking Business Directive no. 251.

Explanatory notes

Section 21 of Directive no. 311A is intended to protect individual customers and ensure that banking corporations withhold from soliciting credit, from imposing pressure, and from harassing a customer when marketing consumer credit. Accordingly, Section 21.4 of the Directive establishes that proactively contacting a customer should be avoided when the customer responded negatively to a similar credit offer in the past, for a period of at least 3 months. As due to the “Swords of Iron” War, customers encountered cash flow or economic problems, where it is likely that for some of the customers, 3 months have not yet passed since the last date they were proactively contacted for a consumer credit proposal, the said time limitation was removed. This is in order to enable the banking

corporations to contact those customers whose economic situation deteriorated during the war, and to notify them of the option to take credit with the goal of assisting them.

Proper Conduct of Banking Business Directive 329 on the “Limitations on Providing Housing Loans” (Sections 6.i and 6.ii of the Directive)

5. An exemption was established from the said limitations in Sections 5–8 of Directive 329, for a loan for building a protected space that is exempt from a permit according to 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, and for which the amount does not exceed NIS 200,000. The validity of the easing is in accordance with the validity of the guidelines.

Explanatory notes

In order to support the activities of the Planning Administration and the Home Front Command to reduce gaps in protection, it was decided to remove the said limitations in the Directive on Loans for Building a Protected Space in the application of the exemption from a permit, up to an amount of NIS 200,000.

6. Notwithstanding the provisions of Section 4 in Directive 329, a banking corporation may approve a housing loan that is not for the purpose of purchasing a land right up to an LTV of 70 percent, provided that the amount of the loan with an LTV that exceeds 50 percent is not greater than NIS 200,000.

Explanatory notes

With the goal of assisting the public and providing a response to a household’s credit needs, a banking corporation will be permitted to approve a loan for any purpose secured by a home (a housing loan that is not for the purpose of purchasing a property right) at an LTV of up to 70 percent instead of 50 percent, provided that the amount of the loan with an LTV greater than 50 percent does not exceed NIS 200,000. It should be clarified that the easing shall apply on approvals that are granted so long as the Directive is in force.

Proper Conduct of Banking Business Directive no. 350 on the issue of “Operational Risk Management” (Section 6.iii of the Directive)

7. At the end of Section 27 of Proper Conduct of Banking Business Directive no. 350, it shall say, “If the 3-year period ends by March 31, 2024, the banking corporation is permitted to extend the completion of carrying out the review until June 30, 2024 at the latest.”

Explanatory notes

Banking corporations for which the end of the cyclical period to conduct their required a multiyear survey of gaps on the issue of operational risks ends by March 31, 2024, are permitted to complete it until June 30, 2024, without derogating from the other obligations that apply to banking corporations in this regard.

Proper Conduct of Banking Business Directive 357 on the issue of “Information Technology Management” (Section 6.iv of the Directive)

8. Within the framework of the temporary directive, a deferral is permitted of the last date for conducting a safety survey for systems at high risk and e-banking systems for which the 18-month period for carrying out said survey in accordance with what is established in Section 11(a) (2) of Proper Conduct of Banking Business Directive no. 357, ends in the period of time covered by the Temporary Directive.

Explanatory notes

Due to the state of war in which Israel has been since October 7, 2023, some of the banking corporations are encountering difficulties in implementing the guidance to carry out a safety survey for the systems that are at high risk and e-banking systems (hereinafter, “the systems”) at least once in 18 months.

The goal of the amendment is to provide relief to those banking corporations and to allow a deferral of the latest date for carrying out the said survey to no later than June 30, 2024, in a manner that will allow their organization for conducting the survey, and it does not derogate from the other requirements that apply to the banking corporations in this regard.

To remove any doubt, it should be clarified that said easing is only given for those systems for which the 18-month period ends for them during the period of time in which the temporary directive applies. It should be emphasized that extending the length of time between surveys is liable to increase the probability of the risks materializing in the said systems, and particularly at the current time when there has been an increase in cyber threats and in additional risks as a result of changes in the processes during routine times in order to assist customers. Therefore, the Chief Risk Officer is required to approve and document the deferral, while promising that the banking corporation shall make a reasonable effort to carry out said survey even before the last possible date that was set in the temporary directive.

Commencement

9. The start date of the amendment to Directive 251 as determined in this circular shall be the date the circular is published on the Bank of Israel website.

Application

10. The period in which the temporary directive and the amendments in it are in force has been extended to March 31, 2024. The extension of the period the directive is in force that has been determined, as noted, shall not apply to the following sections:

- a. Sections 3, 4, and 5 of the Directive, meaning the validity date of the easings in the said sections, remains December 31, 2023
- b. Section 7 of the Directive, for which the validity date of the easings in the section expired on November 22, 2023.
- c. Section 6b. of the Directive, for which the validity date of the easings shall be in force until April 30, 2024.

d. Section 6.i of the Directive, for which the validity date is 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.

File update

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

Remove page
251-1-6 [3] (11/23)

Insert page
251-1-6 [4] (12/23)

Respectfully,

Daniel Hahashvili
Supervisor of Banks