

Adjustments to Proper Conduct of Banking Business Directives in order to deal with the Swords of Iron War (Temporary Directive)

Introduction

1. The goal of this Temporary Directive is to grant regulatory relief in several areas, in view of developments in the “Swords of Iron” War that began on October 7, 2023, in order to assist the banking system and its customers to deal with the challenges of this event, and in view of its possible economic ramifications.

Application

2. This Directive shall apply to corporations to which the relevant Proper Conduct of Banking Business Directive applies.

Proper Conduct of Banking Business Directive no. 203 on “Measurement and Capital Adequacy—Credit risk—the Standardized Approach”

2a. Cancelled.

Proper Conduct of Banking Business Directive no. 301 on “Board of Directors”

2b. Cancelled.

2c. Section 45(c) of Directive 301—

(a) In paragraph (1), “60 days” shall be replaced by “90 days”

(b) In paragraph (2), “3 business days” shall be replaced by “6 business days”

Proper Conduct of Banking Business Directive no. 308A on “Handling of Public Complaints”

3. Cancelled.

4. Cancelled.

5. Cancelled.

Proper Conduct of Banking Business Directive no. 310 on “Risk management”

5. 1.a Cancelled.

Proper Conduct of Banking Business Directive no. 311 on “Credit risk management”

5a. In Section 27a, “the report shall be considered updated if submitted within 9 months from the date of the financial statement” shall be replaced by “the report shall be considered as updated if it was submitted within 18 months from the date of the financial statement”.

5b. In Section 27c, the beginning clause shall read “12 months” instead of “3 months”.

Proper Conduct of Banking Business Directive no. 311A on “Consumer Credit Management”

5.2.a Cancelled.

Proper Conduct of Banking Business Directive no. 325 on “Management of Credit Facilities in Current Accounts”

6. Cancelled.

Proper Conduct of Banking Business Directive no. 329 on “Limitations on issuing housing loans”

6.i The limitations established in Sections 4 and 5–8 of Proper Conduct of Banking Business Directive no. 329 shall not apply on loans with a balance that does not exceed NIS 200,000 and that is one of the following:

(1) a loan for building a protected space that is exempt from a permit according to the Planning and Construction (Projects and Buildings that are exempt from a permit) (temporary directive—Swords of Iron) Regulations, 5784-2023, that were published by the Home Front Command.

(2) a loan for improving the protection in a residential home as specified in the list of “Companies permitted to strengthen a room in a home” published by the Home Front Command at the link:

<https://www.oref.org.il/12495-17563-he/pakar.aspx>

6.ii Notwithstanding the provisions of Section 4 of Proper Conduct of Banking Business Directive no. 329, a banking corporation may approve a housing loan that is not for purchasing a land right of up to an LTV ratio of 70 percent, provided the amount of the loan that exceeds an LTV of 50 percent does not exceed NIS 200,000.

Proper Conduct of Banking Business Directive no. 350 on “Operational risk management”

6.iii At the end of Section 27 of Proper Conduct of Banking Business Directive no. 350 shall come: “If the period of 3 years ends by March 31, 2024, the banking corporation may extend the completion of carrying out the survey by June 30, 2024 at the latest.”

Proper Conduct of Banking Business Directive no. 357 on “Information Technology Management”

6 iv. With regard to a safety survey, to which a period of 18 months applies, as per Section 11(a)(2) of Proper Conduct of Banking Business Directive no. 357 on the issue of “Information Technology Management”—the banking corporation may extend this period and carry out said survey no later than June 30, 2024, all with the documented and reasoned permission of the Chief Risk Officer.

Proper Conduct of Banking Business Directive no. 360 on “Rotation and continuous vacation”

6a. Notwithstanding the provisions of Section 3(b)(2), if the maximum amount of time defined by the banking corporation for filling a sensitive position by a manager or employee will expire by December 31, 2023, the banking corporation may extend the maximum amount of time until June 30, 2024, provided that the controls established according to Section 3(b)(4) are carried out.

6b. Notwithstanding the provisions of Section 4(a), employees with sensitive functions and other office holders that are still required to utilize continuous vacation by December 31, 2023, shall be permitted to utilize it until April 30, 2024, to the extent that this may be done according to all law, and to the extent that the corporation shall establish control mechanisms as noted in Section 4(e) of Directive 360. For the said employee, for whom the corporation approved a deferral of continuous vacation until April 30, 2024, and the employee utilized it in the first 4 months of 2024, this vacation shall be considered the only continuous vacation required for the employee in 2024 under Section 4(a).

6c. Cancelled.

Proper Conduct of Banking Business Directive no. 367 on “E-Banking”

7. Cancelled,

8. Cancelled.

Proper Conduct of Banking Business Directive no. 411 on “Management of Anti-Money Laundering and Countering Financing of Terrorism Risks”

9. Cancelled.

9a. Notwithstanding the provisions of the permanent arrangement in Appendix B.2 of Proper Conduct of Banking Business Directive 411 (hereinafter in this Section—“the Appendix”), a banking corporation may act as follows:

- a. Instead of the provisions of Sections 6.2–6.3 of the Appendix, when the service recipient is given payment services, the following terms shall apply:
 - (1) Total funds transfers carried out in accordance with the instructions of the service recipient, in the course of a period of one year, shall not exceed NIS 200,000.
 - (2) Total funds which the service recipient shall receive during a period of one year shall not exceed NIS 200,000.
- b. Instead of the definition of “Payment Services” in the appendix, shall be—as these are defined in the Payment Services Law, excluding management of a payment account for a payer or a beneficiary whose cumulative balance therein exceeds NIS 100,000 and excluding a current account with the banking corporation.
- c. The provisions of Sections a and b above shall apply under the following conditions:
 - (1) The banking corporation shall monitor the activity in the payment accounts in which the cumulative balance of activity exceeds NIS 20,000 or in which total funds transfers or receipts exceed NIS 100,000.
 - (2) The banking corporation shall ascertain that the service recipient undertakes said activity for the purpose of raising war-relief funds, e.g., aiding families of injured or missing persons and supporting the activities of defense entities and rescue and relief forces.
 - (3) The banking corporation is to confirm that the provisions of Sections a and b shall apply on service recipients for which activity was approved in accordance with the provisions of this section by March 31, 2024.

9b. Cancelled.

Proper Conduct of Banking Business Directive no. 451 on “Procedures for extending housing loans”

10. Cancelled.

11. Cancelled.

12. Cancelled.

13. Cancelled.

13a. Cancelled.

Proper Conduct of Banking Business Directive no. 449 on “Simplifying agreements for customers”

14. Directive 449 shall not apply when a customer requests a deferral of payments within the framework of the agreement to provide credit, so long as it refers to a deferral in accordance with the assistance framework for customers in dealing with the ramifications of the “Swords of Iron” War published on the Bank of Israel website.

Proper Conduct of Banking Business Directive no. 460 on “Presenting activity data in a securities deposit”

15. Cancelled.

Instruction of the Supervisor of Banks according to Section 3(a1) of the Banking (Service to the Customer) (Full disclosure and submission of documents) Rules, 5752-1992

16. In accordance with my authority pursuant to Section 3(a1) of the Banking (Service to the Customer) (Full disclosure and submission of documents) Rules, 5752-1992, I instruct that:

16.1 Notwithstanding the provisions of Section 3(a)(4) of the said rules regarding an agreement to provide credit, a customer’s signature will not be required to carry out the customer’s request to defer payments, to the extent that it is in reference to a deferral under the assistance framework for customers in dealing with the ramifications of the “Swords of Iron” War published on the Bank of Israel website, and provided that the customer’s consent is obtained and documented.

16.2 Notwithstanding the provisions of Section 3(a)(4) of the said rules regarding an agreement to provide credit, for a housing loan as defined in Proper Conduct of Banking Business Directive no. 451 on “Procedures for extending housing loans” for 2 or more borrowers, in which one of the borrowers has a difficulty to sign the loan documents, due to the “Swords of Iron” War, the signature of that borrower on the loan documents will not be required, provided that appropriate procedures are taken to identify the customer, and the customer’s documented consent is received.

Application

17. (a) This Directive and the amendments to the Directives established in it shall be in force until the end of the Directive’s term (June 30, 2024).

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

(1) Cancelled.

(1) Section 6b. of the Directive shall be in force until April 30, 2024.

(2) Section 6.i of the Directive shall be in force until the end of the validity period of the Planning and Construction (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 booklet of regulations dated October 26, 2023.

(4) Section 9a of the Directive shall be in force until December 31, 2024, except for Section 9a(b), which shall be in effect until May 15, 2024.

Updates

Circular 06 no.	Version	Details	Date
2760	1	Original circular	October 22, 2023
2761	2	Update	October 31, 2023
2763	3	Update	November 21, 2023
2771	4	Update	December 28, 2023
2774	5	Update	February 4, 2024
2779	6	Update	March 31, 2024

Respectfully,

Daniel Hahiashvili
 Supervisor of Banks