



April 7, 2020

Circular no. C-06-2615

Attn:

Banking corporations and credit card companies

Re: Additional Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus (Temporary Provision)

(Proper Conduct of Banking Business Directive no. 250)

Introduction

1. Pursuant to the temporary order issued April 1, 2020, following are additional easing steps formulated by the Banking Supervision Department, with the goal of providing the banking corporations and credit card companies the business flexibility required at this time, and in parallel to assist households and businesses under the anomalous conditions that have been created.

Main revisions to the Directive

Proper Conduct of Banking Business Directive no. 301 on “Board of Directors” (Sections 5–5b)

2. An ending clause of “exclusively for compliance with the physical attendance obligation established in the Section” was added.

Explanatory remarks

Under the previous version, it was possible to mistakenly understand that the easing in the temporary provision also had an effect on the compensation paid to the director participating in the meeting via use of means of communication. The addition is meant to clarify that a meeting via means of communication is not to be considered as physical attendance with regard to the Companies (Rules regarding compensation and expenses for an external director) Regulations, 5760-2000.

3. The following shall replace the provisions of Section 18 of Directive 301: “Notwithstanding the provisions of Proper Conduct of Banking Business Directives requiring Board discussions at specific frequencies, the Board of Directors shall discuss the issues detailed in Section 6 as well as the issues that it has to discuss in accordance with other Proper Conduct of Banking Business Directives at the time and frequency established by the Chairperson of the Board in line with the Chairperson’s judgment, taking into account the developing risks and the rapid changes in

the activity environment due to the coronavirus event and the need to monitor the banking corporation's activities at this time, and subject to the provisions of Sections 97–99 of the Companies Law and the banking corporation's charter. The above does not detract from the Board's functions and responsibilities under any law and according to Section 5 or exempt from the Board's authorization if required according to any law or proper banking procedure.”

4. The requirements in Sections 35(g) and 40(a) of the Directive with regard to board committees were cancelled in order to enable board committee chairs to hold discussion at the time and frequency that they will set, and provided that the minimum number of meetings is not less than what is set in law.
5. It was also established to defer the dates of the authorization of the minutes and the distribution of the draft minutes as established in Section 45 of Directive 301 and in Section 45(c)(1) of Directive 301, so that “60 days” shall be replaced by “120 days”, and in Section 45(c)(2), “3 business days” shall be replaced by “7 business days”.

Explanatory remarks

The manner of dealing with the coronavirus crisis led to a change in the economic environment, as well as changes in the priorities of the Board's work. In addition, a Board has difficulties at this time in holding ongoing discussions, due to the availability of executives and employees. Therefore, several easing were established in the work of the Board at this time, including providing the possibility for Board chairpersons and board committees to establish the date and frequency of discussion of issues required by the various Proper Conduct of Banking Business Directives (including Directive 301) in accordance with their judgment, taking into account the developing risks and the rapid changes in the activity environment as well as the need to monitor the activities of the banking corporation. In addition, at this time the board committees may not gather together at the frequency required by the Directive due to the difficulty in the availability of executives, and for certain issues, even the background material for the discussion. Therefore, we are allowing the easing in the minimum threshold requirements of the minimum number of gatherings established in the directive as well as the dates of authorizing and distributing the draft of the minutes.

Proper Conduct of Banking Business Directive no. 308A on “Handling Customer Complaints” (Section 6a)

In Section 9(d) of Directive 308A, the final clause shall be:

6. At the end of Section 9(d) of Directive 308A, the following shall be added: “Under very unusual circumstances in which the delay is due to factors that are not under the banking corporation's control, the banking corporation may publish via online means a notice to all its customers regarding the extension of the date and the reason for the delay, instead of sending such notice to any enquirer as noted above.”

Explanatory remarks

The Ministry of Health's guidelines and the steps taken by the government due to the spread of the coronavirus, led to a marked contraction in the workforce at the public complaints functions at

banking corporations. In view of the increase in the number of enquiries to the functions at this time, and the need to give priority to enquiries related to the crisis, it was decided to allow banking corporations to send to enquirers, whose enquiry is relatively not urgent, a message about the extension of the time for providing a final answer, by a general notice via online means, including via publication of such notice on the website for all customers.

Proper Conduct of Banking Business Directive no. 326 on “Project Finance” (Sections 10a–10b)

7. In Section 1(a)10, the end clause “within 14 days from the payment date” shall be deleted.
8. In Section 2, the end clause “within 14 days from the payment date” shall be deleted.

Explanatory remarks

The Sale (Homes)(Securing homebuyers’ investments) Law, 5735-1974, established the number of days within which a banking corporation is to issue guarantees for a buyer in respect of a sum paid via the original payment voucher or to verify the issuance or provision of another guarantee. In order to allow the adjustment of the directive should it be decided, in view of the crisis, to change this number of days in a law, the end clause was deleted from the relevant sections.

Proper Conduct of Banking Business Directive no. 367 on “E-banking” and Directive no. 420 on “Sending Notices via Means of Communication” (Section 13a)

9. In Section 19(c) of Proper Conduct of Banking Business Directive no. 367, “NIS 50,000” shall be replaced by “NIS 100,000”.

Explanatory remarks

With the goal of making it easier for businesses when opening an online account that is an acquiring account or when receiving credit via an account through which discounting services are provided, it was established that the scope of activity on which the easing regarding identification and authentication would apply will be increased from NIS 50,000 to NIS 100,000.

Proper Conduct of Banking Business Directive no. 411 on “Management of Anti-Money Laundering and Countering Financing of Terrorism Risks” (Section 78 and Appendix B) (Section 13b)

10. In Section 78 of Proper Conduct of Banking Business Directive no. 411, “NIS 50,000” shall be replaced by “NIS 100,000”.

Explanatory remarks

With the goal of making things easier for small businesses’ activities, an end company’s activity framework—within which it will be able to receive payment card acquiring services via an aggregator—was increased, without a direct contract with the acquirer.

11. The following Appendix B2 shall be added to Proper Conduct of Banking Business Directive no. 411:

Arrangement Established by the Supervisor of Banks for the banks under Section 7a of the Prohibition on Money Laundering (The Banking Corporations' Requirements regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 5761–2001 (“the Order”):

- (a) A banking corporation may impose the provisions of Sections 6a(a)(2) and 6a(b) of the Order in each of the following cases:
 - (1) Issuance of a payment card to an individual, with an activity facility that does not exceed NIS 100,000;
 - (2) Increasing the amount of activity in an existing payment card for an individual up to an amount that does not exceed NIS 100,000;
 - (3) Extending a loan to an individual via payment card, provided that the amount of the loan does not exceed NIS 100,000;
- (b) In the cases noted above in Subsection (a), a banking corporation may record the identification details according to a copy of an identification document issued by the State of Israel, bearing the name, identification number, date of birth, and picture;
- (c) In this section, “payment card”—a payment card for which the charges for debits made using it are carried out through a current account at a banking corporation that is not the issuer or a partner in the issuance arrangement.

Explanatory remarks

With the goal of assisting credit card companies to provide a response to households' needs to issue a payment card in order to make payments or to receive credit, they were given the option of acting in accordance with the provisions of Section 6a(a)(2) of the Order with regard to activity using a payment card issued to an individual up to a credit facility of NIS 100,000, including the receipt of credit. Said provision was made with consideration as well of AML/CFT risks. In addition, in view of the difficulties that arose and in order to make things easier for customers, the possibility was expanded for credit card companies in the same cases as above to rely on a copy of an identification document issued by the State of Israel bearing the name, ID number, date of birth, and picture, when identifying a resident of Israel, which is not an Israeli ID card, such as a drivers license.

12. The following Appendix B3 shall be added to Proper Conduct of Banking Business Directive no. 411:

“Arrangement Established by the Supervisor of Banks for the banks under Section 7a of the Order:

Notwithstanding the provisions of Sections 2(e) and 4(a) of the Order, when opening an additional account at the request of a lawyer, accountant, or rabbinical court pleader, on behalf of a specific customer, the banking corporation may accept a declaration without an original signature given the following conditions:

- (a) Authorization is provided by the person responsible for fulfilling the obligations under Section 8 of the Law or someone on their behalf.
- (b) When interfacing with the account holder, the banking corporation shall act to receive a declaration with an original signature.
- (c) The banking corporation shall establish risk-based controls and anchor them in procedures.

In this arrangement:

“Customer”—a customer who is an individual, as defined in the Order

“Lawyer”—One holding a license to practice law in Israel

Explanatory remarks

With the goal of assisting a lawyer, accountant, or rabbinical court pleader with opening a trustee account on behalf of a specific customer without arriving at the branch, an easing was granted in regard to the provisions of Sections 2(e) and 4(a) of the Order, which allows the acceptance of a declaration of beneficiary without an original signature. This is subject to the lawyer, accountant, or rabbinical court pleader already managing an account at the same banking corporation. This easing is dependent on the specific authorization by the AML/CFT Officer at the corporation, adoption of substantiated controls, which are also to include means to reduce the risk. In addition, the banking corporation is to receive a declaration of beneficiary with an original signature when interfacing in person with the customer.

13. Transition provision – Section 17

Explanatory remarks

Any banking corporation that acts in accordance with the easings established in Sections 9–12 above that were given in view of the existing circumstances, will be required to complete the identification, verification, and declaration of beneficiary obligations with an original signature in accordance with the Banking Order and Proper Conduct of Banking Business Directives no. 367 and no. 411, as they were formulated prior to the applicability of this temporary provision, within 3 months from the end of the application period of this temporary provision.

Proper Conduct of Banking Business Directive no. 426 on “Provision of a Professional human Telephone Response” (Section 13c)

14. In Section 4 of Proper Conduct of Banking Business Directives no. 426, under the definition of “Senior Citizen”, “75” shall be replaced by “70”.

Explanatory remarks

The definition of “Senior citizen” was revised so that the minimum age from which the customer receives priority in phone center queues shall be 70, with the goal of allowing more older customers, who according to the guidelines of the Ministry of Health, are at greater risk in a case of exposure to the coronavirus, and are thus requested at this time not to leave the house, to receive optimal service.

Proper Conduct of Banking Business Directive no. 432 on “Transferring Activity and Closing a Customer’s Account” (Section 13d)

15. In Section 14 of Proper Conduct of Banking Business Directives no. 432, “5 business days” shall be replaced by “14 business days”.

Explanatory remarks

In order to assist banking corporation employees to deal with a customer’s request to close an account during a period of reduced activity in branches and a shortage of workers, as a result of the development of the coronavirus crisis, the period was extended to 14 business days from the date the customer completed the activities required of him in accordance with the directive. In our

assessment, account closures are not necessarily expected in the coming period, and therefore the said change is not seen as a negative impact on customers.

Proper Conduct of Banking Business Directive no. 450 on “Debt Collection Proceedings” (Section 14a)

16. In Section 13(b) of Proper Conduct of Banking Business Directive no. 450, “his signature” shall be replaced by “documented receipt of his consent”.

Explanatory remarks

In order to ease the receipt of a customer’s consent to a debt arrangement reached between the customer and the banking corporation, the requirement for a signature on the arrangement was replaced with a requirement for documented receipt of consent, as acceptable even under the parallel legislation legislated in the past 2 years. Pursuant to this amendment, it will be possible to receive the customer’s consent to the debt arrangement by telephone as well.

Proper Conduct of Banking Business Directive no. 451 on “Procedures for Extending Housing Loans” (Sections 14b–14d)

17. In Section 11(b)(2), “14 business days” shall be replaced by “1 calendar month”.

18. In Section 15b(e), “3 business days” shall be replaced by “8 business days”.

19. In Section 15c(b), “5 business days” shall be replaced by “8 business days” and in Section 15c(c), “2 business days” shall be replaced by “6 business days”.

Explanatory remarks

In order to assist banking corporation employees during a period of reduced activity in branches and a shortage of workers, as a result of the development of the coronavirus crisis, the periods established in the Directive—as part of which the banking corporation is to issue to customers letters of intent (Section 15b(e) of Directive 451), confirmation of full payment (Section 15c(b) and 15c(c) of Directive 451), and notifications that it insured the customers in an insurance policy by the banking corporation itself in cases in which the policy taken out does not meet its requirements (Section 11(b)(2) of Directive 451)—were extended. The range of the extensions provided is specific and was established to enable banking corporations to meet their obligations but also to reduce the potential adverse impact on customers.

Update of file

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

Remove page

(April 1, 2020) [3] 250-1-4

Insert page

(April 7, 2020) [4] 250-1-7

Respectfully,

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Supervisor of Banks