



October 22, 2017

Circular no. C-06-2542

Attn:

The banking corporations and the credit card companies

Re: Credit Risk Management

(Proper Conduct of Banking Business Directives No. 311)

Introduction

1. Proper Conduct of Banking Business Directive no. 311 was updated due to the change in the Banking (Service to Customer) Law, 5741-1981, pursuant to which a bank is prohibited from unreasonably refusing an additional pledge or its realization.
2. After consulting with the Advisory Committee on Banking Matters and with the approval of the Governor, I have decided to revise Proper Conduct of Banking Business Directive No. 311 on “Credit Risk Management” (hereinafter, “the Directive”).

The amendment to the Directive

Part B—Operating under a sound credit granting process

3. Addition of Section 32a

The section guides the banking corporation holding a first lien on an asset to take into account the ramifications deriving from the borrower’s right to pledge the asset as a subsequent lien, with inferior status, to another creditor, to manage the risks deriving from such right, and to be cautious when refusing an additional lien and/or its realization.

Explanatory notes

The provision is derived from Section 7h(a) of the Banking (Service to Customer) Law, 5741-1981.

Start

4. The amendments to the Directive pursuant to this Circular will go into effect beginning on the date of publication of this Circular.

Revised file

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

Insert page	Remove page
(10/17) [5] 311-1-32	(7/17) [4] 311-1-32

Respectfully,

Dr. Hedva Ber
Supervisor of Banks