



January 8, 2018

**Circular no. C-06-2549**

Attn:

**Banking corporations and credit-card companies**

**Re: Debt Collection Proceedings**

(Proper Conduct of Banking Business Directive no. 450)

**Introduction**

1. On February 1, 2018, Proper Conduct of Banking Business Directive no. 450, which was published on February 1, 2017, will go into effect.
2. The Nonbank Loans Regulation Law (Amendment 5), 5777-2017, (the Fair Credit Law) establishes, among other things, the maximum interest rate on arrears regarding a loan. As such, the need for Section 10 of the Directive, which deals with the interest rate on arrears, is redundant.
3. After consulting with the Advisory Committee on Banking Business Affairs and with the approval of the Governor, I have amended this Directive.

**Amendments to the Directive**

4. Section 10 of the Directive shall be deleted.

**Explanation**

The Fair Credit Law establishes the maximum interest rate on arrears regarding a loan. The amendment to the Law is expected to go into effect several months after the effective date of the Directive, which also deals with the maximum interest rate on arrears. As such, and in order to avoid duplicate arrangements which are liable to create a lack of uniformity and a lack of clarity regarding the interest rate on arrears, it was decided to delete Section 10 of the Directive.

5. It should also be clarified, regarding Sections 14 and 15 of the Directive, that for loans with a variable interest rate that is based on an external anchor, it will be possible to publish in a notice the formula for calculating the interest rate on arrears and the interest rate derived from it, as of the date of the notice, while pointing out that the interest rate changes from time to time due to updates in the anchor rate, and that the interest rate set in the notice is the rate that is correct as of the date it is compiled. This is in lieu of noting the interest rates on arrears for the period to which the banking corporation's notice applies.

**Effective date**

6. This Amendment shall go into effect on the day the Directive goes into effect (February 1, 2018).

**Update of file**

7. Update pages for the Proper Conduct of Banking Business Directive file are attached. The provisions of the update follow.

**Remove page**

450-1-6 (2/17) [1]

**Insert page**

450-1-6 (1/18) [2]

Respectfully,

Dr. Hedva Ber  
Supervisor of Banks