



January 12, 2020

Circular no. C-06-2600

Attn:

Banking corporations and credit card companies

Re: Industry Indebtedness Limitation

(Proper Conduct of Banking Business Directive no. 315)

Introduction

1. Proper Conduct of Banking Business Directive no. 315 currently establishes that the total indebtedness of a specific industry to a banking corporation shall not exceed 20 percent of the public's total indebtedness to the banking corporation.
2. In accordance with existing directives, credit for infrastructure projects in the establishment stage is classified within the framework of "Construction, Real Estate, and Manufacturing and Trade of Construction Materials". This is because these projects incorporate construction risk (in the establishment stage).
3. In view of the expected marked increase of projects to construct national infrastructures and their importance to economic growth, and to make it possible to expand the supply of credit to such projects, after consultation with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, we have found it proper to ease the limitation on the construction and real estate industry in a manner that will enable the banking system to finance national infrastructures at broader scopes. It is clarified that the easing shall be imposed exclusively on the establishment of public-private partnerships (PPP) for infrastructure projects, meaning projects with public sector-private sector collaboration.

Main Points of the Update

4. Section 5(b) of the Directive:

The revision makes it possible for a banking corporation to reach total indebtedness in respect of "Construction, Real Estate, and Manufacturing and Trade of Construction Materials" (Industry 11 in the list of industries in the Appendix to this directive) of up to 24 percent of the public's total indebtedness to the banking corporation, provided that said total indebtedness, excluding indebtedness to finance projects with public sector-private sector collaboration (included in Industry 42 "Civil Engineering Works") does not exceed 20 percent.

Explanatory remarks

The revision enables a banking corporation to choose a track in which it provides credit to the construction and real estate industry of up to 24 percent, provided that the supplement above 20

percent is designated for financing national infrastructure projects that are included under the “Civil Engineering Works” industry.

Clarification

5. The Directives of the Supervisor of Banks that are related to this amendment, such as Reporting to Banking Supervision Directive 809, shall be adjusted in the future.

Effective date

6. The changes to this Directive shall go into effect on the date this circular is published.

Update of file

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

Remove page

(07/17) [22] 315-1-4

Insert page

(01/20) [23] 315-1-4

Respectfully,

Dr. Hedva Ber
Supervisor of Banks