

Attn:

**Banking corporations and Acquirers**

**Re: Adjustments to Proper Conduct of Banking Business Directives  
in order to deal with the “Swords of Iron” War (Temporary Directive)  
(Proper Conduct of Banking Business Directive no. 251)**

**Introduction**

1. In view of the eruption of the “Swords of Iron” War on October 7, 2023, and its implications for the Israeli economy, and to help the banking system and its customers cope with the situation’s challenges, below is a series of easing measures that the Banking Supervision Department has formulated, within the framework of a Temporary Directive.
2. The adjustments in this Directive are meant to give banks and credit card companies the business flexibility needed at this time, in order to lighten the burden on customers who have been adversely impacted by the state of war. This Temporary Directive shall be updated from time to time as required.
3. After consulting with the Advisory Committee on Banking Business Affairs and with the approval of the Governor, I have established this Directive. The regulation was not accompanied by the publication of a report under the Principles of Regulation Law, 5782-2021, in view of “concern about substantial impairment of a protected interest that mandates the urgent establishment of regulation” (Section 34(c)(1) of the Law).

**Main provisions of the Directive**

4. **Proper Conduct of Banking Business Directive 301 on the “Board of Directors” (Sections 2b and 2c of the Directive)**
  - 4.1. Notwithstanding the provisions of Section 41(a) and (c) of Proper Conduct of Banking Business Directive no. 301 (hereinafter, Directive no. 301), beginning October 8, 2023, the participation of a director in a meeting via the use of advanced means of communication shall be viewed as physical attendance, exclusively for complying with the participation requirement established in the section.

**Explanatory notes**

In accordance with Section 49(a) of Directive no. 301, the board of directors is to establish procedures for holding meetings via the use of advanced means of communication (hereinafter, meetings via communication media) that will include, among other things, the instruction that only in special cases can a meeting via communication media be held.

As long as the “Swords of Iron” War continues, and pursuant to that the board of directors established that these circumstances constitute a special situation with regard to holding meetings via communication media, a director’s participation in a meeting via communication

media shall be viewed as physical attendance, and said meetings shall not counted for the rate established in Section 41(c) of Directive no. 301. To remove any doubt, a meeting via communication media cannot be viewed as physical attendance in terms of Companies' Regulations (Rules regarding remuneration and expenses for an external director), 5760-2000.

4.2. A deferral has been set for the date of approving the minutes and distributing a draft of the minutes established in Section 45 of Directive no. 301 so that in Section 45(c)(1) of Directive no. 301, instead of "60 days" shall come "90 days", and in Section 45(c)(2) of Directive no. 301, instead of "3 business days" shall come "6 business days".

### **Explanatory notes**

Due to problems of availability of office holders and employees, several reliefs were established in the work of the board of directors. These include an easing in the requirements of a minimum threshold for the dates of approval of the minutes and the distribution of a draft document detailing the decisions reached in the meeting.

## **5. Proper Conduct of Banking Business Directive no. 310 on "Risk Management" (Section 5.1.a of the Directive)**

It was determined that notwithstanding the provisions of Section 7(b) of Directive 310, a banking corporation that has not yet reviewed and approved the risk management policy documents this year, is permitted to complete the requirement in the section by March 31, 2024. The said implementation is contingent on the holding of discussions in the board of directors and among management on the ramifications of the security and economic situation on the banking corporation's risk management policy and its risk profile.

### **Explanatory notes**

In view of the special situation and the shortage of personnel, it was decided to allow a banking corporation that has not yet reviewed and approved the risk management policy documents this year, as required in Section 7(b) of Directive 310, to complete the requirement by March 31, 2024, subject to the holding of discussions in the board of directors and among management on the ramifications of the security and economic situation on the banking corporation's risk management policy and its risk profile.

## **6. Proper Conduct of Banking Business Directive no. 360 on "Rotation and Consecutive Vacation" (Section 6b. of the Directive)**

Two reliefs were added to the end section of Section 6b. of the Directive regarding an employee holding a sensitive position or other office holder:

(1) There was an extension of the possibility to utilize the consecutive vacation required of the employee in 2023, until April 30, 2024, where the corporation shall establish control mechanisms pursuant to the provisions of Section 4(e) of Directive 360.

(2) If a banking corporation that approved an employee's deferral of continuous vacation until April 30, 2024, and it was utilized in the first 4 months of 2024, this vacation shall be considered as the only consecutive vacation required regarding that employee for 2024.

### **Explanatory notes**

(1) The period for utilizing the annual consecutive vacation for employees holding sensitive positions and other office holders was extended through April 30, 2024, instead of March 31, 2024, in order to ease employees' utilization of the consecutive vacation. This is of course only so long as this can be done subject to the provisions of all laws, and control mechanisms were established, as noted in Section 4(e) of Directive 360.

(2) An employee who utilized the relief provided in Section 6b. of the Directive is required to take an additional consecutive vacation in 2024, beyond that utilized in the first 4 months of 2024, by force of Section 4(a) of Directive 360. As the requirement to utilize 2 consecutive vacations in 1 calendar year is some burden on the employee in view of it being utilized from the employee's annual quota of vacation days, it was decided that in such cases the utilization of an annual vacation in the first quarter of 2024 shall also be considered as compliance with the requirements of Section 4(a) with regard to taking a consecutive vacation in 2024.

## **7. Proper Conduct of Banking Business Directive no. 411 on “Management of Anti-Money Laundering and Countering Financing of Terrorism Risks” (Section 9b. of the Directive).**

Appendix B.7 will be added to Directive 411 with the goal of providing an opportunity to issue a prepaid card in which the amount loaded on the card in a calendar year shall not exceed NIS 10,000, and the amount that can be loaded on it at a given time shall not exceed NIS 5,000, without it being considered a “payment card” as defined in Section 1 of the Prohibition --- , subject to certain conditions.

### **Explanatory notes**

In providing a response to the needs of nonprofit organizations in assisting families that were adversely impacted against the background of the war, payment card issuers were given the possibility of increasing the loading framework for anonymous cards (one-time use or multiple use) that are issued for use by a closed loop of merchants, so that the amount that can be loaded each calendar year shall not exceed NIS 10,000, and the amount that can be loaded at a specific time shall not exceed NIS 5,000. This is, among other things, on condition that the issue of the card is for nonprofit organizations working to assist against the background of the war.

## **8. Proper Conduct of Banking Business Directive no. 451 on “Procedures for Extending Housing Loans” (Section 13a of the Directive)**

In Section 4c(a)(5) of the Directive, “5 business days” shall be replaced by “8 business days”, and “7 business days” shall be replaced by “10 business days”.

### **Explanatory notes**

In view of the shortage of workers in the banking system as a result of the war, and to allow the diverting of resources to dealing with urgent cases and in particular customers who have been negatively impacted by the situation, and to provide a response to customers making contact

regarding the issue of the assistance framework for customers in dealing with the ramifications of the “Swords of Iron” War published on the Bank of Israel website, the dates established in the Directive in the framework of which the banking corporation is to issue an approval in principle, given to the customer, that the bank has responded to the customer’s request to receive a housing loan.

**9. Instruction from the Supervisor of Banks in accordance with Section 3(a1) of the Banking (Service to the Customer) (Due disclosure and submission of documents) Rules, 5752-1992 (Section 16 of the Directive)**

Section 16.2 was added to Section 16 of the Directive, establishing that in accordance with the powers of the Supervisor of Banks according to Section 3(a1) of the Banking (Service to the Customer) (Due disclosure and submission of documents) Rules, 5752-1992, notwithstanding the provisions of Section 3(a)(4) of the said Rules regarding the agreement to provide credit, for a housing loan as defined in Proper Conduct of Banking Business Directive no. 451, “Procedures for extending a housing loan” for 2 or more borrowers, in which there is a difficulty for one of the borrowers to sign the loan documents, due to the “Swords of Iron” War, the signature of that borrower will not be required on those loan documents, provided appropriate procedures are taken to identify the borrower and to receive the customer’s documented consent.

**Explanatory notes**

In order to provide relief to borrowers who are in advanced phases of the process of receiving a housing loan, and are required at this time to sign the loan documents, but encounter difficulty in doing so because one of the borrowers has difficulty in arriving at the bank’s branch due to the “Swords of Iron” War, it was determined that the agreement of the borrower who cannot sign the loan documents due to the war situation, will be able to be received in various ways in accordance with the banking corporation’s discretion, after identifying the borrower and documenting the customer’s consent, provided that the other borrowers will be required to sign the loan documents as required in the rules.

**10. Commencement**

The start date of the amendment to Directive 251 in this circular shall be the date the circular is published on the Bank of Israel website.

**11. File update**

Update pages for the Proper Conduct of Banking Business Directives file are attached. The following are the update instructions:

**Remove page**  
251-1-5 [2] (10/23)

**Insert page**  
251-1-6 [3] (11/23)

Respectfully,

Daniel Hahiashvili  
Supervisor of Banks