

Banking Supervision Department
Jerusalem, February 4, 2024
Circular Number C-06-2774

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 Proper Conduct of Banking Business Directive as detailed below. 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 311 on “Credit Risk Management” (Sections 5a. and 5b. of the Directive)

- 4.1. Section 27a of the Directive—there was an extension of the period during which a report will be considered as updated, for an additional 3 months, for a total of 15 months from the date of the financial statements.
- 4.2. Section 27c of the Directive—there was an extension of the period during which semiannual data can be presented which a report will be considered as updated, for an additional 3 months, for a total of 9 months from the date of the financial statements.

Explanatory notes

In view of the “Swords of Iron” War, and the negative impact on the economy’s functioning, there was an adverse impact on the ability to prepare financial statements on time or to provide certain internal financial data. In order to allow the providing of credit to borrowers who have not yet prepared financial statements due to the above, it was decided to grant a 3-month extension, **in addition to the extension already provided**, with regard to the requirement to receive an updated financial statement established in Section 27a, as well as with regard to the requirement set in Section

27c. This extension will apply whether it is in a format established by the banking corporation or if it is in the format of a financial statement.

5. Proper Conduct of Banking Business Directive 329 on “Limitations on Providing Housing Loans” (Section 6.i of the Directive)

It was clarified that the exemption in the section also applies to Section 4 of Directive 329. In addition, the easing was expanded with regard to loans intended for improving protection in a residential home by companies authorized to do so by the Home Front Command, and for which the amount does not exceed NIS 200,000. The validity of the additional easing shall be in accordance with the validity of the easing regarding adding a residential protected space.

Explanatory notes

In order to support the reducing of gaps in protection, it was decided to remove the limitations as noted with regard to a loan for improving the protection in a residential home by companies authorized by the Home Front Command to strengthen a room in in the home as published on the Home Front Command website, up to NIS 200,000.

Commencement

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

Application

6. The period in which the temporary directive and the amendments in it are in force has been extended to March 31, 2024. The extension of the period the directive is in force that has been determined, as noted, shall not apply to the following sections:
 - a. Sections 3, 4, and 5 of the Directive, meaning the validity date of the easings in the said sections, remains December 31, 2023.
 - b. Section 7 of the Directive, for which the validity date of the easings in the section expired on November 22, 2023.
 - c. Section 6b. of the Directive, for which the validity date of the easings shall be in force until April 30, 2024.
 - d. Section 6.i of the Directive, for which the validity date is until the end of the validity period of the Planning and Building (Projects and Buildings exempt from a permit) (Temporary Directive—Swords of Iron) Regulations, 5784-2023.

File update

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

Remove page
251-1-6 [4] (12/23)

Insert page
251-1-6 [5] (1/24)

Respectfully,

Daniel Hahiashvili
Supervisor of Banks