



September 29, 2020

Circular no. C-06-2628

Attn:

Banking corporations and credit card companies

Re: Update of Directives

(Proper Conduct of Banking Business Directives no. 203, 313, 315)

Introduction

1. In view of the accumulated experience and after consultation with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, I have found it proper to amend Proper Conduct of Banking Business Directives 203, 313, and 315.

Main points of the update

Section 84(v) in Directive no. 203

2. Reduced credit conversion factors were established for certain guarantees provided within the framework of financial accompanying of vacate-and-build projects, Tama 38 (Type 2), or combination transactions. Given the terms established in the section, the credit conversion factors for those guarantees will be identical to the credit conversion factors established for guarantees provided under the Sale (Homes) (Guaranteeing the Investments of Home Buyers) Law, 5735-1974 (hereinafter, "the Sale Law").

Explanatory remarks

We found it correct to equate the rules applying to banking guarantees for ensuring homebuyers' investments that were not provided under the Sale Law, but have similar characteristics and realization terms to rules established for guarantees provided under the Sale Law.

3. **Definition of "Indebtedness" in Section 3 of Directive 313 and in Section 4 of Directive 315:** The definition of "indebtedness" was revised so that guarantees as noted in Section 2 above will be included in the indebtedness amount after weighting by a rate identical to the weighting of guarantees provided under the Sale Law.

Explanatory remarks

We found it correct to equate the rules applying to banking guarantees for ensuring hombuyers' investments that were not provided under the Sale Law, but have similar characteristics and realization terms to rules established for guarantees provided under the Sale Law.

4. Definition of “Supervised Borrower” in Section 3 of Directive 313:

A clarification was added, according to which “Nostro account” as defined in the Tel Aviv Stock Exchange rules will not be considered a supervised borrower.

Explanatory remarks:

The correction was required in view of the new definition of nostro account in the stock exchange's rules.

5. Section 7 in the Directive:

A rule was added establishing that in cases in which the responsibility of a partner in indebtedness is limited, the addition to the borrower's indebtedness shall not exceed the amount for which the partner is responsible.

Explanatory remarks:

The amendment was intended to align the size of the indebtedness of a borrower who is a partner in a partnership with the amount of the partner's responsibility in the partnership's indebtedness to the banking corporation under the partnership order.

Application

6. The start date of this Directive shall be no later than January 1, 2021.

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

(12/19) [9] 203-1-85
(11/18) [18] 313-1-16
(01/20) [23] 315-1-4

Insert page

(9/20) [10] 203-1-85
(9/20) [19] 313-1-16
(9/20) [24] 315-1-4

Respectfully,

Yair Avidan
Supervisor of Banks