

**Banking Supervision Department
Policy and Regulation Division**

October 29, 2024

Circular No. C-06-2803

Attn: Banking corporations

To: CEO

Re: Industry indebtedness limitation
(Proper Conduct of Banking Business Directive no. 315)

Introduction

1. In view of the Swords of Iron War, and with the goal of supporting the economy's credit needs, and due to enquiries by banking corporations to the Bank of Israel, we have found it proper to extend the existing temporary relief, and to allow an additional relief, for a set period of time, on the rate of the limitation on the Financial and Insurance Services industry, while distinguishing between activity in Israel and abroad.
2. This regulation was not accompanied by publication of a report under the Principles of Regulation Law, 5782-2021, (hereinafter, "the Principles of Regulation Law") in view of the exemption established in Section 34(c)(2), as it is an exemption with a predetermined time period in an existing directive, and therefore its expected direct and indirect impacts on the functions to which it is intended to apply or on other protected interests, and the costs involved in complying with it, are not material.
3. In addition, as the regulation has a set period for a term that does not exceed 10 years, there is no justification for periodically examining it in accordance with Section 36 of the Principles of Regulation Law.
4. After consulting with the Advisory Committee on Banking Business Affairs and with the approval of the Governor, I have decided to update the Directive as follows.

The amendments to the Directive

Temporary Directive – Financial and Insurance Services Industry

5. Section 8a of the Law establishes a temporary relief in the rate of the limitation on the Financial and Insurance Services industry, so that the limitation in Section 5(a) shall be examined separately in regard to activity in Israel and abroad, with the aggregate limitation (Israel and abroad) not to exceed 25 percent.

Explanatory remarks

In 2021, the Directive was updated so that it permitted, when purchasing insurance, switching the industry of the original counterparty to the Financial and Insurance Services industry. In view of the increase in transactions to purchase insurance policies executed by the banking corporations from international insurance companies, the

exposure in the industry increased. We are of the view that there is some correlation between the Financial and Insurance Services industry in Israel and abroad, but it is not sufficiently strong in terms of their measurement as a single industry regarding the limitation, and it is more correct to measure the industry concentration abroad and in Israel up to a certain extent. This relief will allow the continued hedging of risk and removal of risks to outside Israel.

Temporary directive – Construction and real estate industry

The relief in Section 9 is extended by an additional 2 years, until December 31, 2027.

Explanatory remarks

Within the framework of reliefs granted during the COVID-19 period, when it was decided to extend them temporarily, a relief was provided in the maximum exposure to the construction and real estate industry. The directive was extended against the background of the uncertainty existing due to the war and in order to continue to support the economy's credit needs.

Commencement

6. The amendment to this Directive as set forth in this Circular shall go into effect on the day the circular is published on the Bank of Israel website.

Update

7. Updated Proper Conduct of Banking Business Directive file pages are attached. Following is the update:

Remove page

(12/21) [27] 315-1-5

Insert page

(10/24) [28] 315-1-5

Respectfully,

Daniel Hahiashvili
Supervisor of Banks