

Bank of Israel
Banking Supervision Department
Policy and Regulation Division



May 25, 2020

REG20.004.004

To: The banking corporations and credit card companies
Attn: CEO

Re: Clarifications to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Event

Dear Sir or Madam:

1. This document publishes clarifications that will be provided occasionally in response to issues and questions received from the banking corporations and credit card companies in regard to the implementation of the Prohibition on Money Laundering (The Banking Corporations' Requirements regarding Identification, Reporting, and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 5761–2001 (hereinafter, “the Order”) and Proper Conduct of Banking Business Directive no. 411 (hereinafter, “the Directive”), as well as with regard to the implementation of the various Proper Conduct of Banking Business Directives, Supervisory Letters to Banks, and Circulars regarding the event of the spread of the coronavirus.
2. The understanding of the terms in this document is identical to their definition in the directives.

Sincerely,

Ms. Ricky Elias
Deputy Supervisor of Banks

cc: Supervisor of Banks
Bank of Israel Legal Department



a. Report on unusual transactions (Section 9 of the Order)		
Question a1	In view of the coronavirus event, banking corporations are liable to face a difficulty in sending reports on an unusual transaction (Section 9 of the Order) in accordance with the requirement in Section 40(b) of the Directive?	
Answer:	The banking corporations are required to comply with their obligation to report unusual transactions in accordance with Section 9 of the Order, in the shortest possible time given the situation's circumstances. In this regard, account may be taken of a change in the banking corporations' work format deriving from the provisions of the law and directives of the authorized entities in view of the spread of the coronavirus. In a case of delay in submitting reports to the Israel Money Laundering and Terror Financing Prohibition Authority, the delay is to be documented in accordance with the provisions of Section 40(b) of the Directive.	March 19, 2020
b. Declaration of beneficiary/declaration of party at interest		
Question b1	In view of the ramifications of the coronavirus event, will the exemption from registering a beneficiary in regard to activity in a general trust account managed by a lawyer, accountant, or rabbinical-court pleader (hereinafter, "the Trustee") on behalf of the customers, as noted in Section 5(a)(7) of the Order apply as well to situations of deviation from the thresholds set in the said section?	
Answer:	No. In order for the exemption from the requirement to declare a beneficiary in accordance with Section 5(a)(7) to apply, the terms of the section must be met including the limitation on the amounts. To the extent that the trustee requests to deviate from the amount limitations, the trustee may convert the account to an account that is not limited in terms of the amounts noted in the Section, by sending an updated declaration of beneficiaries in accordance with Section 4 of the Order. As this is not opening a new account, the banking corporation may receive the declaration via fax including the updated beneficiary details in an immediate manner, as detailed in Section 2(b) of the Order.	March 19, 2020
c. Dates for reporting results of the Quantitative Impact Survey (QIS)		
Question 1:	Due to the coronavirus event, and the fact that the reduced format for banking corporations due to the guidelines from the government and the Ministry of Health, may banking	



	corporations temporarily cease their preparations for reporting the results of the quantitative impact survey?	
Answer 1:	<p>Yes.</p> <ol style="list-style-type: none"> 1. Banking corporations may temporarily cease their preparations for reporting the results of the following quantitative impact surveys: <ol style="list-style-type: none"> 1.1 Survey of the quantitative impact on draft Proper Conduct of Banking Business Directive no. 336 on Limitations on Attaching a Banking Corporation's Assets. 1.2 Survey of the quantitative impact on draft Proper Conduct of Banking Business Directive on stable net funding. 2. After the return to routine, the banking corporations are to update the timetable for reporting the results of the abovementioned quantitative impact surveys. 	April 23, 2020
d. Dates for implementation of draft Proper Conduct of Banking Business Directives		
Question 1:	Due to the coronavirus events and the shortage of human resources, may the banking corporations temporarily stop preparations for implementing new draft Proper Conduct of Banking Business Directives, which were distributed to the Advisory Committee on February 27, 2020?	
Answer 1:	<p>Yes.</p> <ol style="list-style-type: none"> 1. Banking corporations may temporarily cease their preparations for the following draft Proper Conduct of Banking Business Directives: <ol style="list-style-type: none"> 1.1 Draft Proper Conduct of Banking Business Directive on stable net funding (NSFR), the implementation of which was set for July 1, 2021. 1.2 Draft Proper Conduct of Banking Business Directive on standard access to calculating exposure to credit risk (SA-CCR), for which an implementation date has not yet been determined. 2. In December 2020, the Banking Supervision Department shall reexamine if a deferral in final implementation is required. 	23.4.2020
e. Credit recycled under Reporting to the Banking Supervision Department Directives no. 823 and no. 876.		
Question 1:	Are "Payments of Loans that were Frozen" with regard to the deferral of loan repayments that the Bank of Israel guided banks to do (on May 7, 2020) considered "Recycled Credit"	

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	with regard to Reporting to the Banking Supervision Department Directives no. 823 and no. 876?	
Answer 1:	No. A loan that is not in arrears, for which the monthly payment on it was frozen in accordance with the framework for deferring loan repayments shall not be reported as “recycled” credit under the abovementioned reporting directives, even if the freeze is for a period of up to 6 months.	25.05.2020