

**Banking Supervision Department**

**December 27, 2021**

**Circular no. C-06-2690**

To:

**The banking corporations and credit card companies**

**Re: Adjustments to Proper Conduct of Banking Business  
Directives for Dealing with the Coronavirus Crisis (Temporary  
Provision)**

**(Proper Conduct of Banking Business Directives no. 250, 301, 315, 329, 439)**

**Introduction**

1. In view of the experience accrued and the lessons learned from the banking system's dealing with the effects of the COVID-19 crisis, the need arose to update the Temporary Provision. Beginning on January 1, 2022, the Temporary Provision will expire, except for specific directives for which a later expiration date was established in the temporary provision. However, with regard to a decision on dividend distributions in particular, the banking corporations need to act with caution as they examine their business model, and to take into account that there is still some level of uncertainty in the markets, deriving from, among other things, the development of new mutations of the virus.
2. In addition, the Supervisor of Banks decide to update the relevant Proper Conduct of Banking Business Directives, certain easings that were given in the temporary provision, in view of the need to adjust the requirements to the permanent changes that have occurred in recent years in the economy, among other things, due to the switch to increasing use of advanced means of technology and in light of the continued efficient activity of the banking corporations even given the easings.
3. After consultation with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, Proper Conduct of Banking Business Directive no. 250 will expire and Proper Conduct of Banking Business Directives will be updated as detailed below.

**The main revisions to Proper Conduct of Banking Business Directives in view of the expiration of the Temporary Provision**

Proper Conduct of Banking Business Directive no. 250 (Temporary Provision)

4. Section 16(6) was added to the temporary provision, according to which the easing established in Section 7a shall remain valid until February 28, 2022.

**Explanatory remarks**

The extension of the validity makes it possible to consider a financial report as updated even if the period determined in Proper Conduct of Banking Business Directive no. 311 passed, subject to the requirement in Section 7a of the temporary provision. It is clarified that the abovementioned applies effectively to the financial reports for the year 2020.

5. Section 16(7) was added to the temporary provision, according to which the easing established in Sections 4 and 5 will remain valid until June 30, 2022.

**Explanatory remarks**

In view of the special situation created due to the continued spread of the coronavirus, it was decided not to obligate directors to attend in person and to enable banking corporations for an additional half year to continue to hold board meetings via communication media.

6. Section 13 of the temporary provision was deleted, because the section is no longer needed. The Section was intended to assist customers who do not have a debit card to carry on during the crisis period. The said deletion does not prevent the banking corporation from acting in a manner described in this section during routine times as well.

Proper Conduct of Banking Business Directive no. 301

7. Section 41(c) was added, according to which, notwithstanding the provisions of Subsection (a), participation in a meeting via the use of advanced means of communication (means that make it possible for all participants in the meeting to see and hear each other simultaneously) shall be viewed as physical attendance for the purposes of complying with the participation obligation established in this directive, provided that the share of meetings in which such participation is carried out does not exceed 25 percent of the number of meetings in the calendar year.

**Explanatory remarks**

In view of the technological developments and the improvement in the ability to conduct effective discussions using advanced means of communication, it was decided to allow a director to participate in board meetings via advanced means of communication and such participation will be viewed as physical attendance in regard to complying with the requirement to participate in board meetings and in board committees. The recognition of a meeting via communication media as noted (hereinafter, “meeting via communication media”) as physical attendance is limited to a share of up to 25 percent of the number of meetings in a year for each of the directors. To remove doubt, it is clarified that the share of 25 percent is calculated for each type of meeting separately, meaning 25 percent of full board meetings, 25 percent of specific committee meetings, etc.

In this regard, advanced means of communication are those that enable all the participants in a meeting to see and hear each other simultaneously.

To remove doubt, a meeting via communication media cannot be viewed as in-person presence regarding Companies Regulations (Rules regarding compensation and expenses for an external director), 5760-2000.

8. Section 49(d), which details the issues for which it is not possible to reach a decision at a meeting via communication media, was cancelled.

**Explanatory remarks**

In view of the experience accumulated over the past 2 years, in which boards held many of their meetings using advanced means of communication due to the anomalous circumstances, and even reached decisions via communication media on various issues, including issues detailed in Section 49(d), there were fewer reasons for continuing to prohibit the reaching of decisions on certain issues at board meetings held via communication media, particularly in

view of the imposing of a condition that meetings held via communication media be held using advanced means of communication as defined in Section 41(c).

Proper Conduct of Banking Business Directive no. 315 on Industry Indebtedness Limitation

9. Section 9 was added to the Directive, according to which in a transition directive period, the indebtedness of the construction and real estate industry shall be limited to 26 percent of total public indebtedness to the banking corporation and the indebtedness to the construction and real estate industry net of project financing indebtedness together with the public sector and the private sector (included in Industry 42) shall not exceed 22 percent.

**Explanatory remarks**

The abovementioned was established in accordance with the easing established in Section 8 of the temporary provision, according to which, in Section 5(b)1 of the Directive, “shall not exceed 20 percent” shall be replaced by “shall not exceed 22 percent”, and in Section 5(b)2, “shall not exceed 24 percent” shall be replaced by “shall not exceed 26 percent”.

Proper Conduct of Banking Business Directive no. 329 on “Limitations on Issuing Housing Loans”

10. An update to Section 14a in the Directive, according to which, for the purpose of calculating the capital requirements as stated in Proper Conduct of Banking Business Directive no. 201, the banking corporation must increase the Tier 1 Capital target by a rate that reflects 1 percent of the balance of housing loans that are for the goal of financing rights to property.

**Explanatory remarks**

The update of the Section means that the additional capital requirement of 1 percentage point shall apply to loans for housing purposes and shall not apply to housing loans that are not for the purpose of acquiring rights to property and the mortgaging of a home (hereinafter, “loan for any purpose”). The above is in accordance with the provisions of Section 11(c) of the temporary provision.

In addition, it was established in the temporary provision in Section 16 that notwithstanding the above, the refinancing of a “loan for any purpose” for which capital was set aside at a rate of 1 percent, shall require the allocation of capital at a rate of 1 percent.

Proper Conduct of Banking Business Directive no. 439, on Debits by Authorization

11. In Sections 7(a), 7(c) and 8(a) of the Directive, the words “in writing” shall be deleted.

**Explanatory remarks**

With the handling of the COVID-19 crisis, an easing was provided in the method of providing a cancellation notice within the framework of Proper Conduct of Banking Business Directive no. 250, according to which a banking corporation may receive such notification by documented phone call as well. This update integrates this in routine, and even expands the said easing, to allow additional ways for providing cancellation notice via any accepted method between the customer and the banking corporation, in order to make it easier for the banking corporation’s customers to cancel a debit by authorization and an authorization to debit. To that end, the requirement to provide cancellation notice in writing was cancelled in Sections 7(a) and 8(a). The said update is in accordance with the Payment Services Law, 5779-

2019, in which the manner of providing notice of cancellation of a specific charge under a debit by authorization and the cancellation of the authorization to debit was not limited in the methods used. Along the same lines, Section 7(c) of the Directive was also updated.

### **Application**

12. The updates to the Directive in accordance with this Circular shall go into effect on January 1, 2022, except for the updates to Directive 301, which will go into effect on July 1, 2022.

### **Updating of the file**

1) Attached are the update pages to the Proper Conduct of Banking Business file. Following are the updates:

<b>Remove page</b>	<b>Insert page</b>
(30/09/21) [17] 250-1-8	(26/12/21) [18] 250-1-6
(9/21) [26] 301-1-53	(12/21) [27] 301-1-53
(9/21) [26] 315-1-4	(12/21) [27] 315-1-4
(2/21) [9] 329-1-8	(12/21) [10] 329-1-9
(9/21) [8] 439-1-8	(12/21) [9] 439-1-8

Sincerely,

Yair Avidan  
Supervisor of Banks