



Jerusalem
November 23, 2014
Circular no. C-06-2441

Attn:
The banking corporations and the credit card companies

Re: Credit risk management

(Proper Conduct of Banking Business Directives no. 311 and 319)

Introduction

1. Within the framework of bringing the Proper Conduct of Banking Business Directives in line with the recommendations of the Basel Committee for Banking Supervision and to professional standards in major economies worldwide, and due to the experience accumulated at the Banking Supervision Department, the need arose to carry out the following changes in Proper Conduct of Banking Business Directives 311 and 319, as detailed below.

Amendments to Directive 311

2. Principle 14: Credit control
 - a. This principle was updated in a manner that incorporates the requirements related to credit control within the framework of the directive on managing credit risk.
 - b. The Directive's emphasis was changed from quantitative-technical dimensions to qualitative requirements, and to the outputs required from the activity of the credit control function.

Explanatory notes

Credit control is a function that is critical to managing credit risk. Its role is to retrospectively examine all stages of the manner of credit risk management, including the judgment of the professional entities that approve the provision of credit and the appropriateness of its ongoing monitoring, and to provide a critical assessment of the quality of a specific credit and of the overall credit portfolio.

The organizational location of credit control must be such that it enables it to act in an effective and independent manner. To remove any doubt, the credit control function can be subject to the Chief Risk Officer, as providing a written opinion as noted in Section 44 of the Directive, on its own, is not considered a credit approval but rather control over provision of credit.

Cancellation of Directive 319

3. Proper Conduct of Banking Business Directive no. 319 is cancelled.

Effective date

4. The provisions of this Circular shall go into effect starting April 1, 2015.

Revised file

5. Following are the update page for the Proper Conduct of Banking Business Directive file.
Following are the revision instructions:

Remove page	Insert page
(12/12) [1] 311-1-30	(11/14) [2] 311-1-32
(7/98) 319-1-3	- - -

Sincerely,

David Zaken

Supervisor of Banks