

Banking Supervision Department
Supervisor of Banks

Jerusalem
October 12, 2023
23LM5010

To: The banking corporations and credit card companies

Attn: Board of Directors Chairperson
CEO

Re: Banking Supervision Department emphasizes to the banking system due to Operation “Swords of Iron”

Dear Sir or Madam:

The State of Israel at this time is in an emergency security situation. A state of war has been declared, reserves of a considerable scope have been called up, there are many injured people, and there is marked damage to private individuals and to businesses. This situation also impacts the interfaces with the banking corporations and credit card companies (hereinafter, “the banking system”), which have an essential role at this time of emergency, particularly:

To serve as a strong base alongside their customers while displaying increased sensitivity in contact with customers due to the complex security situation, taking into account the public’s mindset and the uncertainty among certain sectors of the public. All this while adopting a proactive approach in finding solutions and granting leniencies as much as possible to customers in distress;

To maintain continuity in providing services in a suitable and professional manner, including in branch and ATM activity;

To manage the range of operational and financial risks unique to this period.

In accordance with these goals, the banking system is to ensure that its activity takes into account, among other things, the following aspects:

1. **Availability and continuity of banking services:** The availability and continuity of banking services should be maintained as much as possible for customers, in accordance with the limitations at this time, and appropriate alternatives to providing the services, to the extent that they cannot be provided, should be set up in line with customers’ needs and characteristics. Up-to-date information on available service channels, location and working hours of open branches and call centers, including emergency call centers, and all relevant information that the banking system finds proper that will help customers in receiving services and carrying out banking transactions, must be publicized. The information must be made accessible in an effective manner and in a clear place and should be distributed via the relevant channels—website, application, SMS, phone center, and

similar. An up-to-date picture of the situation should be presented to the public, including which delays or disruptions are expected and what the existing options are.

2. **Handling, assisting, and responding to customers' enquiries against the background of the war, with an emphasis on urgent enquiries and those on a humanitarian basis:**

The banking system is asked to act with special sensitivity, including all enquiries regarding accounts of those missing or killed, in view of the need to provide an urgent response to family members' enquiries, while taking into account specific requirements, including the need to freeze activity and the need for joint owners of accounts to continue carrying out transactions, while using discretion and in accordance with the circumstances. In this regard, and to the extent necessary, the banking system is asked to establish appropriate procedures for identifying and verifying family members, subject to the risk management policy of the banking system.

With regard to suspicion of misuse of means of payment, without derogating from the provisions of law, the banking system is required to utilize discretion and to establish designated work procedures for providing a rapid response and handling, in line with circumstances and with the utmost sensitivity required before and after carrying out the transaction.

3. **Easing the burden and providing assistance for customers in complying with obligations:**

The banking system is requested to continue promoting various initiatives that are intended to ease the burden on customers, with an emphasis on residents of the areas in a state of emergency, IDF soldiers that are called to reserves at this time and their families, and small businesses that closed or are working under reduced operations due to the situation. The banking system is to assist its customers to the extent possible in complying with the burden of payments and obligations in general, including vis-à-vis third parties.

Within this framework, granting leniencies should be considered positively in appropriate cases, including:

- a. To allow the deferral of loan payments, with full disclosure of the various ramifications deriving from deferring the payments, including the costs involved.
- b. To freeze collection proceedings at this time.
- c. To avoid collecting fees in accordance with circumstances.
- d. To allow breaking deposits before their maturity date and reducing related charges.

4. **Checks:**

Regarding limitations on checking accounts: The Banking Supervision Department is working to assist with the issue of limitations on the use of checks for populations at high risk, both in the North and the South, and for those called to reserve duty under an Order 8; the timing and manner of the easing will be published soon.

Regarding clearing checks: To the extent that the banking system is prevented from clearing checks, the banking system may use the clearing house rules and may examine the possibility of acting in accordance with the provisions of Section 7(a) of the Banking (Service to the Customer) (Date of crediting and debiting checks) Regulations, 5752-1992, and accordingly

to update the Banking Supervision Department and its customers.¹ In this regard, the banking system is required to find the proper balance, as the extension of the possible period for clearing checks is liable to lead to an adverse impact on customers, due to the importance of providing finality in the transaction for the beneficiaries, and other broad effects.

5. **Permission to relocate branches in an emergency:** Pursuant to my authorities under Proper Conduct of Banking Business Directive no. 355 for an emergency situation, a permit to relocate branches in an emergency situation was published today. According to it, banks will be able to provide banking services to their customers via mobile branches, to relocate branches temporarily, and to provide basic banking services to their customers through branches, permanent or mobile, of another bank, or branches of the Postal Bank, in accordance with the arrangement that will be reached between the bank and the service providers. This is provided that the banks will be responsible for the service given to the customers, and that it will be examined by the risk management functions of the bank and will be reported to the Banking Supervision Department.
6. **Distribution of allowances:** The banking system is requested to find solutions for the public that arrive at the bank's branches on days that allowances are distributed in order to withdraw the allowances, and to provide alternatives to withdrawing funds, taking into account that some bank branches in certain areas are closed or are working under reduced operations, in line with instructions.

In this regard, the banks are to use all the means available to them, including mobile branches, for the benefit of their customers.

7. **Telephone service to customers:** The Banking Supervision Department is aware of the difficulty for the banking system to provide service in phone call centers as required during routine times, but in contrast it recognizes the great importance of providing a telephone response to customers, and through any other way, and all the more so at this time. It should be emphasized that the supervisory expectation is that maximum efforts will be made to grant the optimal service possible in accordance with abilities and the situation. Furthermore, every banking corporation is expected to consider setting up a dedicated emergency line or designated switch that will prioritize the handling of urgent cases in view of the situation.

In this regard, the Banking Supervision Department will examine using its authority pursuant to Section 5A3(d)(1) of the Banking (Service to the Customer) Law to allow a deviation from the waiting time determined by law and directive, due to the situation.

8. **Cyber aspects and defrauded customers:** The banking system is to prepare for enhanced attempts and cyber attacks aimed at the banking system. As part of this preparation, the readiness, awareness, and organizational preparedness to deal with such incidents should be enhanced, striving for prevention, as much as possible, for early identification of incidents as they occur and rapid response abilities at an organization-wide level. In addition, there should be preparation for increased occurrences of fraud against employees and customers, among other things through strengthening awareness and vigilance, as well as ongoing monitoring of anomalous and atypical activities in customers' accounts and means of payment.

¹ With regard to updating customers, it should be clarified that in line with the regulations there is a requirement to publish in newspapers, but it is expected that effective publication will be carried out via additional channels as well.

9. **Risk management assessment:** The banking system is required to examine enhanced monitoring of all the risks with regard to the various aspects, such as capital, liquidity, and credit, including adjusting the policies and models to more extreme stress events and examining the required level of liquidity. In addition, you are requested to reexamine the appropriateness of the risk management means and tools, while strengthening the mechanisms of command, management, audit, and control of all the main activity channels of the banking system.
10. **Reports in emergency times:** The Banking Supervision Department put into partial operation the requirements for reporting in special situations, which helps the Banking Supervision Department to analyze the situation, make decisions accordingly, and to provide a response to the public's enquiries.
11. **Board of Directors' discussions:** In view of the changes deriving from the complex security situation, the banking system is requested to hold discussions among the Board of Directors regarding the required preparedness for the current situation, and that will cover, among other things, the issues noted above.

To the extent that there will be additional requests to make various adjustments with the goal of easing things for customers, that have not yet been sent to us, you are requested to contact the Banking Supervision Department with a formal request so that the various aspects can be examined and referred to accordingly.

With hopes and prayers for better days,

Sincerely,

Daniel Hahiashvili
Supervisor of Banks