



October 13, 2016

Circular no. C-06-2512

Attn:

Banking corporations and credit card companies

Re: Conducting audit and review in accordance with certain standards set in the US
(Proper Conduct of Banking Business Directive no. 304A)

Introduction

1. Proper Conduct of Banking Business Directive 304A on the issue of “The external auditor—performing audits and reviews in accordance with certain US standards” (hereinafter, “the Directive”) establishes that audits of banking corporations’ financial statements are to be conducted, among other things, in accordance with certain audit standards established by the Public Company Accounting Oversight Board (hereinafter, “PCAOB”) in the US.
2. In light of the publication of additional audit standards by the PCAOB, the need arose to update the Proper Conduct of Banking Business Directives. In view of the aforementioned, and after consultation by the Supervisor of Banks with the Institute of Certified Public Accountants in Israel’s Liaison Committee and with the Advisory Committee on Banking Business Affairs, and with the approval of the Governor, it was decided to amend the Proper Conduct of Banking Business Directive as specified below.

Changes to the Directive

3. Section 2(1) is to be added to the Directive’s Appendix on “**PCAOB audit standards**”, as detailed below:
 - (1) AS18—Related Parties

Explanation

This is done in order to adopt the audit standard published by the PCAOB .

Effective date

4. The provisions of this circular shall go into effect with the audit of the financial statements for December 31, 2016 and onward.

Update of file

5. Update pages for the Proper Conduct of Banking Business Directive file are attached. The provisions of the update follow.

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Respectfully,

Dr. Hedva Ber
Supervisor of Banks