Banking Supervision Department
Jerusalem
December 30, 2024
Circular Number C-06-2806

Attn:
Banking corporations and Payment Service Provider with Prudential Importance License Holders

Re: Adjustments to Proper Conduct of Banking Business Directives in order to deal with the "Swords of Iron" War (Temporary Directive)
(Proper Conduct of Banking Business Directive no. 251)

Introduction

1. In view of the "Swords of Iron" War that began on October 7, 2023, and its ramifications on the Israeli economy, and to help the banking system and its customers cope with the situation's challenges, a Proper Conduct of Banking Business Directive was issued regarding these issues.
2. The adjustments in this Directive are meant to give the banking corporations to which the relevant Directives apply the business flexibility needed at this time, in order to lighten the burden on customers who have been adversely impacted by the state of war. This Temporary Directive shall be updated from time to time as required.
3. The amendment to the Directive was not accompanied by the publication of a report under the Principles of Regulation Law, 5782-2021, in view of the exemption established in Section 34(c)(5) of the law, as the amendment extends its validity for a period that does not exceed a year with regard to certain sections in the Directive.
4. After consulting with the Advisory Committee on Banking Business Affairs and with the approval of the Governor, I have extended the validity period of the Proper Conduct of Banking Business Directive discussed as detailed below, except for the sections in the Directive for which there are no reasons that justify their extension—these sections will be cancelled.

Main provisions of the Directive

5. **Proper Conduct of Banking Business Directive no. 311 on "Credit risk management" (Section 5a and 5b of the Directive)**
   - 5.1. Section 27a of the Directive—the period for which a report will be considered as updated has been extended by 6 months, for a total of 18 months from the financial statement date.
   - 5.2. Section 27c of the Directive—the period for which semiannual financial statements can be produced has been extended by 6 months, for a total of 12 months.

   Explanatory notes

   In view of the Swords of Iron War and the adverse impact on the functioning of the economy, there will apparently be a negative impact on the ability to prepare financial statements on time or to produce certain internal financial data. In order to allow the extending of credit to borrowers who have not yet produced financial statements due to the above, it was decided that a 6-month extension would be provided with regard to the requirement to receive an updated financial statement as determined in Section 27a and with regard to the obligation set in Section 27c; this extension shall apply whether it is in a format set by the banking corporation or in the financial statement format.

6. Section 9a shall be cancelled.

Explanatory notes

The validity of the reliefs that were established in the said Section ended, and there were no justified reasons for extending it.

7. **Commencement**

The starting date of the amendment to Directive 251 as detailed in this circular shall be January 1, 2025.

Application

8. The validity of this temporary directive and the amendments to the directives established in it shall be extended to until December 31, 2025, except for the following sections:

(a) Section 6.i of the Directive, which is in force until the end of the validity period of the Planning and Building (Projects and Buildings exempt from a permit) (Temporary Directive—Swords of Iron) Regulations, 5784-2023.

(b) The provisions of Sections 14 and 16.1 shall remain in force until the end of the validity of the assistance framework for customers in dealing with the ramifications of the Swords of Iron War, published on the Bank of Israel website.

8. File update

Update pages for the Proper Conduct of Banking Business Directives file are attached. The following are the update instructions:

Remove page	**Insert page**
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Respectfully,

Daniel Hahiashvili
Supervisor of Banks