

Banking Supervision Department

Jerusalem, November 7, 2023

Circular No. C-06-2762

Attn: The Banking Corporations and Acquirers

Re: Credit Risk Management

(Proper Conduct of Banking Business Directive No. 311)

Introduction

1. In view of the experience accumulated and with the goal of improving risk management, and after consulting with the Advisory Committee on Banking Business Affairs, and with the approval of the Governor, I have amended Proper Conduct of Banking Business Directive no. 311.
2. This regulation 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)(2), as it is an easing that is intended to increase the efficiency of the banking corporation's Chief Risk Officer's work in the bank.

Main points of the update

The definition of "significant risk exposure" in Section 44 of the Directive was amended such that the threshold criterion for the intervention of the Chief Risk Officer in a credit exposure shall be the lower of NIS 50 million or 1 percent of the bank's capital, instead of NIS 25 million. The banking corporation shall be permitted to determine the threshold to be the NIS 25 million that exists in the current version, even if it exceeds 1 percent of Tier 1 Capital.

Explanatory notes:

A significant risk exposure requires, in accordance with Directive 311, among other things, a written opinion by the bank's risk management function.

Before the amendment, "significant risk exposure" was defined as "an exposure of NIS 25 million or more, as well as other exposures determined by the board of directors of the banking corporation in accordance with the size and complexity of the credit portfolio".

The goal of the amendment is to increase the efficiency of the Chief Risk Officer's work and to enable the Chief Risk Officer to focus on analyzing credit with a greater scope and risk.

Effective date

3. This circular shall go into effect on the date of its publication on the Bank of Israel website.

File update

4. Following are the updates to the Proper Conduct of Banking Business file:

| Remove pages | Insert pages |
|----------------------|-----------------------|
| (10/22) [9] 311-1-31 | (11/23) [10] 311-1-31 |

Respectfully,

Daniel Hahiashvili
Supervisor of Banks