



March 18, 2020

**Circular no. C-06-2611**

Attn:

**Banking corporations and credit card companies**

**Re: Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus (Temporary Provision)**

(Proper Conduct of Banking Business Directive no. 250)

**Introduction**

1. Against the background of the development of the coronavirus event and its ramifications on the economy worldwide and in Israel, including essentially every private household and business, and in order to assist households and businesses to get through the challenging period, following are a series of easing steps that we formulated as temporary provisions.
2. The adjustments in this directive are intended to provide banking corporations and credit card companies with the business flexibility required at this time. However, we emphasize that it is extremely important that decisions about extending credit and assistance to businesses and households are in line with the risk assessment and risk tolerance of the banking corporation in each case individually. After consultation with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, I have established the following Proper Conduct of Banking Business Directive as detailed below.

**Main Points of the Directive**

**Proper Conduct of Banking Business Directive no. 301, on “Board of Directors” (Sections 4–5)**

3. Notwithstanding the provisions of Sections 49(a) and (d) of Proper Conduct of Banking Business Directive no. 301 (hereinafter, Directive no. 301), a banking corporation’s board of directors may hold board meetings without in-person gatherings.

Participation by using means of communication in line with the provisions of Section 49 of Directive no. 301 shall be viewed as physical attendance regarding Section 41 of the directive.

**Explanatory remarks**

In view of the special situation that has been created and in order to achieve at this time continued control and appropriate corporate governance alongside a reduction of in-person meetings, which

may not even be able to be held, we have allowed banking corporations to hold board meetings via means of communication.

**Proper Conduct of Banking Business Directive no. 308A, on “Handling Customer Complaints” (Sections 6–7)**

4. Notwithstanding the provisions of Section 9(a), 9(b) and 9(c) of Proper Conduct of Banking Business Directive no. 308A, the response of the banking corporation and its notification to the customer regarding the customer’s right to file an objection to the banking corporation’s decision with the Banking Supervision Department, may be provided in writing or verbally; a banking corporation must document every such response and notification that are provided to the customer verbally; a banking corporation may respond to the customer and only note its main reasonings, and in exceptional cases that are to be documented, the banking corporation is permitted not to provide reasoning for its response.
5. In Section 10(a) of Directive 308A, the end clause shall note:  
“or in a longer period than established by the Supervisor of Banks regarding all the complaints due to anomalous conditions and that notification about it was published on the Bank of Israel’s website”.

**Explanatory remarks**

Section 9 of the Directive establishes standards for enhanced and comprehensive handling of the public’s complaints in routine times.

In view of the development of the coronavirus and its effect on the activities of ombudsmen as well, adjustments to Directive 308A are necessary in order to provide the optimal response in this situation. To that end, it is suggested to be lenient by providing the ombudsman’s response to customers’ complaints and providing notification of their rights to object to the response, so that the response to the public’s complaints can be given in writing or verbally and with the required adjustments under the circumstances. In any case, the handling of the complaint is to be documented in accordance with Section 9(f) of the Directive. These adjustments will enable the ombudsman to focus particularly on urgent enquiries, and specifically customers who are encountering economic difficulties against the background of the coronavirus event. In addition, for the same reason, in Section 10 the Supervisor is given the additional authority, under exceptional conditions, to establish a longer response period for the Banking Supervision Department regarding all the complaints.

**Proper Conduct of Banking Business Directive no. 315 on the “Industry Indebtedness Limitation” (Section 9)**

6. In Section 5(b)1 of Proper Conduct of Banking Business Directive no. 315, the phrase “shall not exceed 20 percent” shall be replaced by “shall not exceed 22 percent”.

**Explanatory remarks**

In the goal of supporting continued activity of the real estate industry and to assist contractors with meeting the increasing financing needs, in view of the expected shortage in workers and delays in construction, banks will be able to increase the credit to the construction and real estate industry, so that the total credit (net of undertakings for national infrastructures) will increase from 20 percent to 22 percent of total indebtedness of the public. In order to enable a bank to return to a level of 20 percent at the end of the applicability period of the directive, the easing will continue to be in effect

for another 24 months and provided that the share of indebtedness does not exceed the share that it is on the date of the end of the directive's applicability period.

### **Proper Conduct of Banking Business Directive no. 325 on "Management of Credit Facilities in Current Accounts" (Sections 9–10)**

7. In Section 4(a) of Proper Conduct of Banking Business Directive no. 325 (hereinafter, "Directive 325"), the phrase "One business day" is to be replaced by "3 business days", and at the end of the section, add the phrase "in this section, "a customer's request to honor a specific debit"—includes through giving a payment instruction by the customer or a demand for payment by authorized debit of the account provided by the customer".
8. Section 9 shall be added to Directive 325: "A banking corporation is permitted not to implement the provisions of this Directive related to deviations at amounts that do not exceed NIS 5,000 for "credit to individuals" and amounts that do not exceed NIS 100,000 for "commercial credit", as those terms are defined in the Reporting to the Public directives, where there is an existing credit facility in the customer's account. The interest rate on the deviation shall not be higher than the interest rate established in the last credit facility agreed upon with the customer. Within 3 business days from the creation of the deviation, the bank is to contact the customer to notify the customer of the deviation, present him with the possibilities he faces and the sides are to agree on the manner of continued handling of the deviation."

### **Explanatory remarks**

During these days it is expected that there will be more customers who will encounter cash flow difficulties due to the coronavirus crisis. The amendments to the Directive are intended to enable a banking corporation to honor the debits of customers who deviate from the credit facilities extended to them.

In view of the legal questions that arise regarding the manner of the implementation of Section 3(c) of Directive 325, among other things in view of the provisions of the Fair Credit Law, 5753-1993 and its intention, which was revised in this regard after the Directive was written, a revision was made in Section 4(a) of the Directive. Accordingly, a banking corporation that finds it correct to allow the creation of a debt balance as noted above and thus increase the credit, shall act in accordance with this amendment and not as noted in Section 1 of our letter dated March 15, 2020.

### **Proper Conduct of Banking Business Directive no. 329 on "Limitations on Issuing Housing Loans" (Section 11)**

9. Notwithstanding the provisions of Section 4 of Proper Conduct of Banking Business Directive no. 329, a banking corporation may authorize a housing loan that is not for purchasing a property right, up to an LTV of 70 percent, subject to a declaration by the borrower that it is not intended for the purpose of purchasing another home (investment home).

### **Explanatory remarks**

With the goal of assisting the public and providing a response for the credit needs of households, a bank will be able to extend a loan for any purpose, secured by a home (a housing loan that is not for purchasing a property right), at an LTV of up to 70 percent, as opposed to 50 percent—the limitation in Proper Conduct of Banking Business Directive no. 329. The provision of the loan in accordance

with the easing shall be subject to a declaration by the borrower that the loan is not for the purpose of purchasing another home (investment home).

**Proper Conduct of Banking Business Directive no. 355 on “Business Continuity Management” (Section 12)**

10. After Section 13 of Proper Conduct of Banking Business Directive no. 355, Section 13a, on “Opening branches in a period of real concern of an adverse impact to the health of the public” shall be inserted.

**Explanatory remarks**

Despite an “emergency economy” not having been declared, and in view of the guidelines by the Ministry of Health on reducing activity and traffic in the public space, banks are permitted to act in a reduced manner while paying careful attention to the parameters detailed in the Directive, which are intended to reduce to a minimum the adverse impact on banking services to the public.

**Proper Conduct of Banking Business Directive no. 367 on “E-banking” and no. 420 on “Sending Notices via Means of Communication” (Section 13)**

11. Notwithstanding the provisions of Section 28 of Proper Conduct of Banking Business Directive no. 367, and of Section 5 of Proper Conduct of Banking Business Directive no. 420, a banking corporation may send notices to its customers via e-banking channels, offering them to join such services and guiding them in how to do so, even if the customer is not signed to an e-banking agreement for the channels through which the notice was sent. In addition, a banking corporation may send notices offering to issue a payment card to customers who do not have another payment card issued by that corporation, via e-banking channels.

**Explanatory remarks**

In order to lead to greater awareness among the public with regard to the options available to them to carry out activities remotely, it was established that the banking corporations are permitted to send their customers notices via e-banking channels, offering them to join such services and guiding them in how to do so, even if the customer is not signed to an e-banking agreement. In addition, in order to assist customers who do not have a payment card to conduct themselves in this period, a banking corporation may send notices offering to issue a payment card to the customers via e-banking channels.

**Proper Conduct of Banking Business Directive no. 439 on “Debits by Authorization” (Section 14)**

12. Notwithstanding the provisions of Sections 7(a) and 8(a) of Proper Conduct of Banking Business Directive no. 439, a banking corporation may receive from a customer an instruction to cancel a specific debit by authorization and the authorization to debit an account, via telephone, provided that the conversation is documented.

**Explanatory remarks**

In order to make things easier for customers, and in particular older customers who find it difficult to act via digital channels and for whom it is even recommended to avoid public places, including

arriving at bank branches, banks are allowed to receive from customers instructions to cancel a specific debit by authorization or the authorization to debit an account, via telephone, provided that the conversation is documented.

**Effective date and transition period**

13. This Directive shall go into effect on the date this circular is published, until September 30, 2020. The Supervisor may, with the consent of the Governor, extend the applicability of the Directive for an additional period that is not to exceed 6 months.
14. Notwithstanding the provisions of Section 13 above, the easing established in Section 6 shall apply until 24 months from the ending date of the applicability period of the Directive, provided that the share of indebtedness does not exceed the share of indebtedness on the ending date of the applicability of the Directive.

**Update of file**

15. Update pages for the Proper Conduct of Banking Business Directive file are attached. Following are the provisions of the update:

**Remove page**

**Insert page**

(03/20) [1] 250-1-3

Respectfully,

Dr. Hedva Ber  
Supervisor of Banks