



December 23, 2021

Circular Number C-06-2681

To: The banking corporations and merchant acquirers

Issue: Oversight of the work of the external auditor

(Proper Conduct of Banking Business Directive no. 301)

Introduction

1. Proper Conduct of Banking Business Directive no. 301 on “the Board of Directors” (hereinafter, Directive 301) establishes that, among other things, the Audit Committee of a banking corporation or merchant acquirer (hereinafter, “banking corporation”) is responsible for overseeing the work of the external auditor.
2. In view of the publication of the Basel Committee guidelines regarding external audit at banking corporations¹ (hereinafter, “the Basel Committee guidelines”) and the accumulated experience, the need arose to update the Proper Conduct of Banking Business Directive. In view of the above, and following consultations with the Liaison Committee with the Institute of Certified Public Accountants in Israel and the Advisory Committee on Banking Business Affairs, and with the approval of the Governor, I have decided to update the directive as follows.
3. The banking corporation’s board of directors is to verify that the skills of the Audit Committee members match the responsibility and roles assigned to the Committee, and that the Committee is allocated suitable resources enabling it to adequately supervise the work of the external auditor.

The updates to the directive

4. In Section 36(d) of the Directive, Paragraph (3a) shall be added after Paragraph (3).

Explanatory remarks

As a part of its responsibility to oversee the work of the external auditor, the Audit Committee should to implement, amongst others, the Basel Committee guidelines

¹ BCBS: External audit of banks, March 2014.



regarding external audit at banking corporations concerning the Audit Committee and its relations with the external auditor.

Application

5. The directives listed in this Circular shall be in effect with the auditing of the financial statements from January 1, 2023 and onward.

File update

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

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Sincerely,

Yair Avidan
Supervisor of Banks