

**Banking Supervision Department**  
Jerusalem, March 31, 2024  
**Circular Number C-06-2779**

Attn:

**Banking corporations and Acquirers**

**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 eruption of the “Swords of Iron” War 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, below is a series of easing measures that the Banking Supervision Department has formulated, within the framework of a Temporary Directive.
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. 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, excluding the sections of the Directive for which there are no reasons that justify their extension—those sections shall be cancelled. 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)(1) of the Law, out of “concern about substantial impairment of a protected interest that mandates the urgent establishment of regulation” and in view of the exemption determined in Section 34(c)(5) of the Law, as the amendment to the Directive extends the validity to a period that does not exceed a year.

**Main provisions of the Directive**

4. **Sections 2a, 2b, 3, 4, 5, 5.1.a, 5.2.a, 6, 6c, 7, 8, 9, 9b, 10, 11, 12, 13, 13a, and 15 shall be cancelled.**

**Explanatory notes**

The validity of the easings that were set in the said sections ended and justified reasons for extending it were not found.

5. **Proper Conduct of Banking Business Directive 311 on “Credit Risk Management” (Sections 5a. and 5b. of the Directive)**

- 5.1. Section 27a of the Directive—there was an extension of the period during which a report will be considered as updated, for an additional 3 months, for a total of 18 months from the date of the financial statements.
- 5.2. Section 27c of the Directive—there was an extension of the period during which semiannual data can be presented, for an additional 3 months, for a total of 12 months from the date of the financial statements.

### **Explanatory notes**

In view of the “Swords of Iron” War, and the negative impact on the economy’s functioning, there was an adverse impact on the ability to prepare financial statements on time or to provide certain internal financial data. In order to allow the providing of credit to borrowers who have not yet prepared financial statements due to the above, it was decided to grant a 3-month extension, **in addition to the extensions already provided**, with regard to the requirement to receive an updated financial statement established in Section 27a, as well as with regard to the requirement set in Section 27c. This extension will apply whether it is in a format established by the banking corporation or if it is in the format of a financial statement.

### **6. Proper Conduct of Banking Business Directive 360 on “Rotation and Consecutive Vacation” (Section 6a. of the Directive)**

- 6.1. In Section 6a, “31.3.2024” shall be replaced by “30.6.2024”.

### **Explanatory notes**

The continued state of war, and its ramifications, is liable to create difficulties for the banking system in changing holders of sensitive positions. Therefore, we have allowed a deferral of an additional 3 months, until 30.6.2024, in carrying out a rotation of holders of sensitive positions.

### **7. Proper Conduct of Banking Business Directive 411 on “Management of Anti-Money Laundering and Countering Financing of Terrorism Risks” (Section 9a. of the Directive)**

- 7.1. Subsection c(3) will be added: “The banking corporation is to confirm that the provisions of Sections a and b shall apply on service recipients for which activity was approved in accordance with the provisions of this Section by March 31, 2024”.
- 7.2. In Section 17 of the Directive (Validity of the Directive), the following subsection (b)(4) shall be added: “Section 9a of the Directive shall be in force until December 31, 2024, except for Section 9a(b), which shall be in effect until May 15, 2024.”

### **Explanatory notes**

In order not to adversely impact existing payment accounts in which activity with the thresholds established in this Section were approved by March 31, 2024, it was determined that in regard to money transfers and receipts, the provisions of this Section shall apply until December 31, 2024. With regard to the accrued balance, beginning from May 16, 2024, the option for acting under the arrangement established in this section was cancelled for payment accounts with an accrued balance that exceeds what is established in Appendix B2.

### Commencement

8. The start date of the amendments to Directive 251 as determined in this Circular shall be April 1, 2024.

### Application

9. The period in which the temporary directive and the amendments in it are in force has been extended to June 30, 2024, except for the following sections:

- a. Section 6b of the Directive, for which the validity period shall be until April 30, 2024.
- b. Section 6.i of the Directive, for which the validity date is 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.
- c. Section 9a of the Directive shall be in effect until December 31, 2024, except for Section 9(a)(b), which will be in effect until May 15, 2024.

### File update

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

**Remove page**

251-1-6 [5] (2/24)

**Insert page**

251-1-6 [6] (3/24)

Respectfully,

Daniel Hahiashvili  
Supervisor of Banks