



YIGAL ARNON & Co.  
LAW FIRM

Client Update – April 23, 2020

## Banking Instructions in the Face of the Corona Virus

In the wake of the COVID - 19 (“**Coronavirus**”) crisis, the Bank of Israel has issued a series of directives to provide relief to banks in Israel, with the intention of providing relief to private and business bank customers during this period while at the same time maintaining the stability of the banking system. Below are some of the actions taken.

### Reduction of Capital Requirements from Banks in order to Increase Consumer Credit

In accordance with the Bank of Israel directive commercial banks will be allowed to reduce regulatory capital requirements by one percent for the purpose of increasing availability of credit in both the private and business sectors.

The Bank of Israel has made it clear to commercial banks that the reduction of the capital requirement is intended to ensure the banks' ability to actually provide credit to customers.

In addition to the support for increasing the amount of available credit, the Bank of Israel instructed commercial banks to continue the careful management of credit risk and to emphasize providing credit to customers who, prior to the outbreak of the Corona epidemic, were repaying the credit as usual.

It should be noted that the reduction of required capital **does not** require commercial banks to extend their credit scope and that each bank will therefore act independently. However, we expect that the Bank of Israel will monitor the banks' activities in this regard and act accordingly.

See [letter of the National Bank Supervisor](#) for additional details

### Reducing the Number of Operating Bank Branches and Providing Essential Services at Designated Branches

In light of the instructions from the Ministry of Health, the banks in Israel have been granted permits to reduce the number of branches which provide public reception services and to provide services to the public in a limited number of designated branches (“**Core Branches**”).

At Core Branches bank customers will be able to receive limited services of cash\check deposits and withdrawals. Other services will be provided subject to prior coordination and service availability at the specific Core Branch

See [letter sent from the National Bank Supervisor to the Banks](#) for further details.



## Overdraft Relief Beyond the Credit Limit

Commercial banks will be allowed to extend customers' overdraft credit for the purpose of honoring payments from the account in order to avoid payment rejections.

Considering the foreseeable financial difficulties of private and business bank customers, the Bank of Israel amended the provisions of "proper banking management" so that commercial banks can honor charges, even if the charges exceed the regulated credit limit in the account. In addition, the period given to take care of a credit exceeding the credit limit has been extended from one to three business days.

Furthermore, the amendment permits commercial banks to allow customers to exceed their credit limit, NIS 5,000 for private costumers and NIS 100,000 for businesses. Accordingly, these temporary overdrafts will have the same interest rate as was previously set for their usual credit line.

See: [Compliance with Proper Banking Management Instructions for Coping with the Coronavirus Crisis \(Emergency Order\)](#).

## Postponing the Restrictions Due to Uncleared Checks

The Supervisor of Banks determined that starting March 4, 2020, banks will suspend restrictions on customers whose checks have bounced due to insufficient funds. In addition, checks which were cashed from March 4, 2020, but were returned due to insufficient funds will not be included in the total uncleared check count for the purpose of imposing statutory restrictions.

If the uncleared check is the tenth uncleared check, in which case normally restrictions would be imposed on the account, restrictions will be suspended until further notice from the Bank of Israel.

However, it should be clarified that although the returned checks do not count toward the check count and will not limit the account, the check return information is transmitted to a credit sharing system that rates the customer's credit.

This arrangement does not detract from the ability of the recipients of bounced checks to initiate collection proceedings.

See: [Notice from the National Bank Supervisor](#).

## Increasing the Check Deposit Limit Permitted via Mobile Applications

In order to make it easier for the public to perform remote operations, the Bank of Israel has ordered to increase the value of the checks which can be deposited via mobile applications to NIS 50,000.

Previously, one could deposit a check of up to NIS 20,000 via such applications.

See [the notice regarding the increase of the value of the checks which can be deposited via applications](#).

We are here should you have any further questions Adv. Yuval Shalhevet ([yuvals@arnon.co.il](mailto:yuvals@arnon.co.il)) Banking Department at Yigal Arnon & Co.

This update is informative only and should not be treated as legal advice or legal opinion.

