

**FINANCIAL INFORMATION IN FILES OF BORROWERS** (1/02)

**Introduction**

1. In order to improve decision-making processes and monitor the extension of credit, a banking corporation shall act in accordance with the procedures specified in this regulation.

**Definitions** (1/02)

2. **“Borrower”** - A borrower who is legally obliged to prepare a periodical (annual or interim) financial statement;
- “Very large borrower”** - A borrower whose indebtedness to the banking corporation exceeds 5% of the banking corporation’s capital, or NIS 100 million, whichever is lower;
- “Related party”** - As defined in [Regulation no. 312](#) (A banking corporation’s business with related parties).
- “Financial statement”** - Financial statements prepared in the format determined by law or in accordance with accepted accounting principles;
- “Updated financial statement”** -
  - (a) An annual financial statement:
    - (1) A borrower to whom the Securities Regulations (periodical and immediate reports), 5730–1970 apply, a borrower who is a related party or a very large borrower - an annual financial

statement for the period from the date of the balance sheet included in it to fifteen months after that date;

- (2) Regarding other borrower - an annual financial statement for the period from the date of the balance sheet included in it to sixteen months after that date;
- (3) Regarding a borrower who is not required by law to prepare an annual financial statement but is a “very large borrower”- an annual financial statement in the format determined by the banking corporation, for the period as stated in section (2) accordingly.

**In addition**

- (b) An interim financial statement:  
Regarding a borrower to whom the Securities Regulations (periodical and immediate statements), 5730–1970 apply - an interim financial statement for the period from the date of the balance sheet included in it to five months after that date.;

**“Indebtedness” -**

As defined in [Regulation no. 313](#), “Limitations on the indebtedness of a borrower and a group of borrowers”.

**Obligation to obtain a financial statement** (1/02)

3. (a) A banking corporation shall require a borrower to submit to it his financial statement close to the first business day after the day it is signed.
- (b) A banking corporation shall not extend credit or renew an existing credit framework without having received an updated financial statement from the borrower.
- For the purpose of this section, a “borrower” includes a “very large borrower”.

**Exemption from obtaining a financial statement** (1/02)

4. Despite the aforesaid, a banking corporation shall be entitled:
- (a) Extend credit even if it does not have an updated financial statement from the borrower, in the following cases:
- (1) If the borrower’s total indebtedness is less than NIS 1 million or 2% of the banking corporation’s capital, whichever is lower, and if the borrower is a related party whose total indebtedness is less than NIS 500,000.;
  - (2) If the borrower’s total indebtedness is covered by collateral of the kinds recognized as deductions under section 5 of [Regulation no. 313](#);
  - (3) If the indebtedness is in the form of an investment in bonds, commercial paper, or participation in international syndicates of conglomerates (a loan in excess of \$ 100 million), and the decision regarding the investment is based on the borrower’s credit rating by one of the following credit rating agencies or other agency approved by the Supervisor of Banks for this purpose:  
Moody’s Investors Service, New York  
Standard and Poor’s Corporation, New York
  - (4) If the borrower is a new corporation that has not yet prepared a financial statement, up to four months from the date of its first balance sheet;
- (b) To renew an existing credit line for a period of no more than six months, if a reasonable cause prevents the borrower from preparing a financial statement, provided the following conditions obtain:

- (1) The borrower's external auditor notifies the banking corporation that he has not yet completed the audit of the financial statements, giving the estimated date for completion;
- (2) Instead of an updated financial statement, the banking corporation has received an unaudited financial statement as well as other data, including a V.A.T. report;
- (c) To extend additional credit to a borrower who is not a related party for a period not exceeding six months and in an amount not in exceed of 25% of the borrower's outstanding indebtedness or 0.5% of the banking corporation's capital, whichever is lower, provided the additional credit is extended not later than four full months from the last date on which the updated financial statement should have been submitted to the banking corporation. For this purpose, if the borrower has a credit framework in a current account, that framework shall be considered as the outstanding indebtedness;

For the purpose of this section, a "borrower" includes a "very large borrower".

**Overseas branches** (1/02)

5. (a) A banking corporation that extends credit to residents of Israel in its offices outside Israel shall act in accordance with this regulation.
- (b) A banking corporation that extends credit to foreign residents in its offices outside Israel shall adopt the above procedures to the obligations deriving from the procedures in force in the place where the credit is extended.

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