



Israel Securities Authority Conducts Inspections of Nonbank Lending Companies

July 21, 2022

ISA's Inspections and Examinations Department commenced a series inspections of nonbank lending companies. The inspections are intended to ensure that the disclosures made to investors by companies in this sector are adequate and credible. Several issues will be examined in the inspections, including adequacy of the measurements and disclosures of customers' loans and credit balances in nonbank lenders' financial statements, and the adequacy of provisions for credit losses.

The inspections were planned in advance to take place in the Department's 2022 work plan, in view of the significant increase in recent years in the number of companies engaged in nonbank lending that raised capital from the investor's public. However, the schedule of these inspections was advanced in view of recent events involving nonbank lenders, changes in market conditions, and the rising rate of interest, which has a significant impact on these companies' operations.

This action joins other actions taken by the ISA, including enforcement actions and a directive issued by the ISA Staff to traded nonbank lenders concerning the required disclosure of the risks that characterize operations in their sector.

In 2019, ISA Chairwoman Anat Guetta decided to consolidate the operations of the various inspection units in ISA departments and establish an independent inspections department that reports directly to ISA Director General Oded Spirer. The new department, which is headed by Attorney Amir Helmer, was established in order to optimize the ISA's use of this supervisory tool in accordance with the priorities set by ISA management.

Inspections and examinations are an important component of the ISA's toolbox, which allows the ISA to conduct in-depth inspections of supervised entities' compliance with the law and regulatory rules. Inspections and examinations enhance deterrence and increase compliance. The ISA also uses inspections and examinations to gain comprehensive understanding of the supervised entities' practices in a specific area or issue, and allows the ISA to issue market-directed publications on its position on best practices.

The Inspections and Examinations Department operates in most areas that are supervised by the ISA including inspections of fund managers, trustees, trading platforms, portfolio managers, advisory functions in banks, and reporting corporations. Inspections focus on an examination of supervised entities' legal compliance and stress corporate governance, aspects of IT, and anti-money laundering and terror financing practices, as relevant. Inspections of companies also include accounting and valuation practices.