

BANKING CORPORATIONS' TIES WITH INTERMEDIARIES

Introduction

1. This regulation is based on the following considerations:
 - (a) In certain circumstances an intermediary contacts with others on behalf of the banking corporation could constitute the conduct of business by the banking corporation with its customers, which may only be done by the banking corporation and at its branches.
 - (b) Concentrating the service at the branches of the banking corporation ensures the provision of a service that is reliable and professional.
 - (c) Ties with intermediaries could expose the banking corporation to claims from customers in respect of the activities of the intermediary and his representatives.

Definitions (5/97)

2. **"Customer"** - A customer from the public, excluding a bank or a financial institution;
- "Intermediary"** - Someone who refers customers to the banking corporation, excluding an auxiliary corporation or a portfolio manager;
- "Banking corporation"** - Including an auxiliary corporation incorporated in Israel, as well as a corporation as specified in paragraphs 3(b) and 3(c) of section 11(a) of the Banking (Licensing) Law, 5741-1981.

Ties with intermediaries (5/97)

3. A banking corporation shall not pay or grant favors, directly or indirectly, to intermediaries and other elements in return for referring customers to the banking corporation or to corporations controlled or managed by it.
4. Even when the intermediaries do not receive remuneration from the banking corporation, the problems mentioned in section 1 may arise, and consequently in such cases the banking corporation should ensure that the intermediaries who refer customers should not represent

themselves as acting on behalf of the banking corporation. It should also make it clear in writing to a customer who has been referred to it by the intermediary that the intermediary is not acting on behalf of the banking corporation and that the banking corporation is not responsible for the actions of the intermediary.

Real-estate intermediaries

5. (a) A banking corporation shall not have ties with real-estate intermediaries on matters concerning the referral of customers to the banking corporation, even when the intermediary does not receive remuneration or favors from the banking corporation.
- (b) Despite the aforesaid in subsection (a), a banking corporation may have ties with a union or organization of real-estate intermediaries in matters of granting sponsorship or publicity, provided all the following are fulfilled:
 - (1) The payment or favor to the organization of real-estate intermediaries shall not be the result or consequence of the referral of customers;
 - (2) The benefit bestowed by the banking corporation is reasonable given the circumstances;
 - (3) The management of the banking corporation has determined procedures with regard to benefits extended to organizations of real-estate intermediaries.

Project financing

6. Despite the aforesaid in section 3 above, a banking corporation may have ties with a building contractor in matters concerning the referral of customers to the banking corporation in return for payment or a favor, provided that these are customers who purchase property in a project financed by the banking corporation as part of the project financing transaction extended to the contractor by the banking corporation, and provided a detailed summary with regard to the payment or favor is included in the project financing agreement.

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