

Directive 400—Closure of Bank Branches and Downsizing of Teller Services

Introduction

1. In recent years, the world and Israel have seen a change in the public's habits in the consumption of banking services, toward growing use of technological media in banking and switching to direct banking, accompanied by fewer visits to bank branches. The technological changes are facilitating an improvement in service, availability, and convenience in the consumption of banking services for most bank customers, as well as an immediate decrease in the costs of banking services to customers. Mindful of this change in the public's tastes and prompted by the need to make efficiencies, some banking corporations have decided to close some of their branches and discontinue teller services in others, replacing them with automated banking machines. Despite the implicit advantages of this move for most customers of the banking system, it must be ensured that the process take place with due attention paid to the diversity of the banking system's customers and their needs, including those who encounter difficulties in making the transition from the traditional banking world to that of direct banking.

The purpose of this Directive is to present the banking corporations with systematic guidelines for when a decision is made to close branches or downsize teller services at branches and switch to direct delivery of banking services. The aim is to assure that the technological revolution, now at the threshold of Israel's banking system, takes place optimally and in a manner that will respond to the needs of the diverse customer population.

In accordance with the power established under Section 28a of the Banking (Licensing) Law, 5741-1981 (hereinafter: the Law), the closure of a permanent branch requires the consent of the Supervisor of Banks. The Supervisor's stance is needed in order to strike a balance among varied considerations, including the contribution of the branch to service for customers of the banking corporation, development of the banking corporation's business, and the public welfare, as specified in Section 29 of the Law. Furthermore, in serving customers' interests, it must be assured that, when bank branches are closed, customers of the banking system are given adequate alternatives so that they may continue to avail themselves conveniently of a range of banking services. Said assurance may be provided by referring customers to a nearby branch, leaving automated machines in the vicinity of the closed branch, opening a mobile branch or a partial-service branch to serve customers in the area where the permanent branch was closed, guiding and stewarding customers in switching to direct banking, and so on.

Incidence

2. This Directive shall not apply in the following cases:
 - (a) Temporary closure of a branch or temporary change in the format of activity of a branch. (In this matter, see Proper Conduct of Banking Business Directive 401.)
 - (b) When a branch is relocated to a distance of less than 500 meters from its original location (e.g., due to termination of lease), Sections 4–17 of this Directive shall not apply.
 - (c) Closure of a branch due to a state of emergency. (In this regard, see Proper Conduct of Banking Business Directive 355.)

It is stated for clarity that a change in the format of activity of a branch, from one staffed by people to a demarcated area equipped solely with automated banking machines, shall be considered tantamount to the closure of a branch for the purposes of this Directive.

Definitions

3. **“Branch”** A permanent branch as defined in Section 28a(a) of the Banking (Licensing) Law, 5741-1981.
- “Teller services”** Cash and disbursement services provided by a human teller as part of the activity of the branch, including making withdrawals, accepting deposits, and exchanging denominations of banknotes and coins in domestic and foreign currency.
- “Digital banking services”** As defined in Proper Conduct of Banking Business Directive 367, “Digital Banking.”

Board of Directors

4. The Board of Directors of a banking corporation shall ensure that its principles pertaining to the branch system and the transition to direct banking are enshrined in a dedicated policy document and are consistent with the bank’s strategy. The board shall also have in place a work plan and working procedures that are supportive of the implementation of said policy.
5. The banking corporation shall base its policy on an across-the-board review that shall make reference, in addition to aspects of economic advisability, to its customers’ needs and their patterns of use of banking services, relevant demographic data, and geographical deployment, and it shall ensure the delivery of adequate, efficient, and rapid service to its diverse customers.
6. The Board of Directors shall ensure that said policy include, at the very least, the following topics:

- (a) guiding considerations in deciding whether to close or eliminate teller services at a branch;
 - (b) ways of assuring continuity in the delivery of a range banking services, e.g., transferring customers to an alternative branch, installing automated banking machines in the vicinity of the closed branch, activating mobile or partial-format branches, extending business hours of nearby branches that provide teller services, and so on;
 - (c) policy on the deployment of the banking corporations' automated teller machines, including reference to quantitative use indicators, number of ATMs at the branch, geographical diffusion, pricing, and types of services that the machines deliver;
 - (d) assistance for customers in the transition to digital banking;
 - (e) the method to be used for serving notice to the branch's regular customers and random customers.
7. Said policy and the work plan derived therefrom shall be discussed and approved by the Board of Directors of the banking corporation once every two years and shall be presented to the Banking Supervision Department by March 31 every two years.

Senior Management

8. Senior management shall formulate and assimilate the bank's policy on its branch system and the closure of teller services, and shall draft a work plan and working procedures. Senior management shall ensure that said work plan and working procedures are supportive of the method of applying the principles of the policy and are consistent with the bank's overall work plan.

Prior Examination and Maintenance of Continuity in Banking Services

9. Before making a decision on closing a branch or discontinuing teller services at a branch, a banking corporation shall carry out a prior examination in which it shall review the patterns of use of banking services by customers of the branch, including:
- (a) the number of transactions carried out by tellers at the branch that is being considered for closure;
 - (b) characteristics of the branch and mapping the full menu of services that it offers and the patterns of their use;
 - (c) potential effects of the change on customers of the branch, including the proportion of customers of the branch who may become users of digital services;

- (d) ability of the transferee branch (that to which customers of the branch intended for closure will be transferred) to provide adequate service;
- (e) whether the branch that the banking corporation is considering for closure was merged with another branch in the past and the amount of time that lapsed since the merger.

10. The banking corporation shall draw up a systematic plan, based on the findings of the prior examination, specifying the way the banking services delivered before the change will be delivered in alternative ways (hereinafter: “continuity-of-service plan”), including reference to availability, accessibility, efficiency, and convenience of service delivery to the diverse customers of the branch, and shall make preparations to implement the plan before said change is made.
11. The findings of the prior examination and the continuity-of-service plan shall serve as a platform on which the decision on closing the branch or discontinuing teller services at the branch shall be made.

Maintaining the Mix and Quantity of Banknotes and Coins

12. In accordance with and pursuant to the contents of Section 9 above, a banking corporation must explain how it will continue to provide customers of the branch that is being closed, or the branch where teller services are being discontinued, with a range of currency services that accords with diverse customers’ needs, including making withdrawals, accepting deposits, and exchanging denominations of banknotes and coins in domestic and foreign currency.
13. A banking corporation shall ensure that despite closing branches and downsizing teller services, the quantity and mix of banknotes and coins available to its varied customers shall remain adequate for their needs.
14. A banking corporation shall assure the availability of small-denomination banknotes in its ATMs.

Human Customer Assistance and Digital Education

15. If a banking corporation decides to discontinue teller services at one of its branches and replace them with machines:
 - (a) it shall install said machines at the branch before it makes the change and shall offer the possibility of dedicated human assistance at the branch to help customers adapt to the change;

- (b) it shall train and equip branch staff to help customers to use the direct-banking devices.

Assuring the Suitability and Soundness of Automated Banking Machines

16. A banking corporation must assure that its automated banking machines are situated in locations appropriate to the type and nature of the banking services that they provide, and that their services are delivered to customers safely, efficiently, conveniently, and in compliance with rules pertaining to access for people with disabilities.
17. A banking corporation shall formulate and implement systematic working procedures for human assistance to customers where necessary and for attention to, and support in the case of, malfunctions of automated banking machines, both as an initial response to a communication from a customer and on a regular basis that will assure sound and uninterrupted activity of said machines.

Prior Notice to Customers about Closure of Branch or Discontinuation of Teller Services

18. Insofar as a banking corporation has decided to close a branch or discontinue teller services at a branch, it shall the advise its customers of said decision at least sixty days before the change is made, in the following ways:
 - (a) posting a notice in a prominent place on the walls of the branch;
 - (b) presenting regular customers of the branch with written notice in the ways that the banking corporation uses to serve said customers with notices.
19. A banking corporation shall post on its Web site information about the availability or non-availability of teller services at each of its branches.
20. Notices from the banking corporation to a customer concerning the closure of a branch or the discontinuance of teller services at a branch, as aforesaid, shall be couched in clearly, to-the-point language and shall include the following information at the very least:
 - (a) the identity and location of the branch where the change is foreseen and the planned date of closure;
 - (b) alternatives available to customers of the branch for continued recourse to banking services, including the identity and location of the branch to which the customer shall be transferred as a default in the event of closure of a branch,

and notice to customers about the possibility of transferring activity to another branch of the banking corporation with no need to visit the branch physically;

- (c) the address and telephone number of the bank for questions, requests, and inquiries with a human representative in regard to the change;
- (d) insofar as means of payment need to be replaced due to the closure of a branch, the banking corporation shall advise the customer of the need to replace means of payment in his or her possession and shall issue said instruments automatically. Said notices to customer shall specify ways of contacting the bank for questions.
- (e) A banking corporation shall clarify that the customer shall be charged no fee whatsoever on account of the transfer of activity to another branch or another bank and that the transfer shall take place under full responsibility of the bank.

Presentation of Branch Closure Request to the Supervisor of Banks for Approval

21. In accordance with the authority vested in the Supervisor of Banks by Section 28a of the Law, a banking corporation that applies to close a permanent branch shall present the Supervisor with a reasoned written request. Said request shall include, at the very least, reference to the sections appearing in Addendum A of the Directive, so that the Supervisor may make a decision on the basis of the full set of considerations and ensure that the public welfare is upheld.

Updates

Circular no.	Version	Details	Date
2522	1	Original circular	January 9, 2017

Addendum A—Branch Closure Application

A banking corporation that wishes to close a permanent branch shall present the Supervisor, in accordance with Section 28(a) of the Banking (Licensing) Law, 5741-1981, with a reasoned written request as specified below.

In the event of the relocation of a branch in accordance with a General Permit—Relocation of Branch in Israel, the application form shall include the particulars of the branch being transferred, its new address, the distance between the addresses, and the reasons for relocation of the branch only.

Attn:

**Banking Supervision Department
Regulation (Bank–Customer) Unit**

Name of bank: _____
Date: _____

Application to Close Bank Branch

Particulars of the branch that the bank wishes to close:

Name of branch designated for closure/merger: _____
Branch number _____
Branch address _____
Business days and hours _____
Planned date of closure _____

Particulars of branch to which customers of closed branch will be transferred:

Name of alternative branch _____
Number of alternative branch _____
Address of alternative branch _____
Business days and hours of alternative branch _____
Distance of alternative branch from closed branch _____

Characteristics of customers of branch that bank wishes to close:

Principal activity (housing loans, retail, investment, etc.) _____
Type of customer _____
(business/commercial/retail/private/nonresident)
Number of customers at branch _____
Customer age distribution (up to 70, 70-80, 80+) _____

Number of customers subscribed to digital banking services _____

Other specific characteristics of branch and its operating environment (special services, relevant demographic characteristics, etc.) _____

Alternatives available to customers of branch after closure:

Mobile/partial-service branch (including frequency and days of business and services provided) _____

Installation of automated banking machines (describe the services they provide) _____

Courier services _____

Other _____

ATM deployment

Leaving an existing ATM in the vicinity of the closed branch (specify type of ATM, transactions that it allows, and whether its existence is time-limited) _____

Adding new ATMs (specify how many, their location, and their distance from the closed branch) _____

Installing additional ATMs of the bank in the vicinity of the branch (specify how many, their location, and their distance from the closed branch) _____

Compliance with bank policy on closure of branches:

Compliance with branch-system work plan presented to Banking Supervision Department as required by this Directive:

Bank's considerations for closure of branch:

Signatures of certifying officials (specify name and organizational post of each)

**Contact people for queries and clarifications
(including telephone number and e-mail
address)**

It is stated for clarity that no application for closure of a branch shall be reviewed unless the data indicated on this Application form are attached.