

Directive 430: Use of Information According to the Checks Without Cover Law, and Response to Enquiries regarding Special Restriction

Introduction

1. The Checks Without Cover Law, 5741-1981, (hereinafter, “the Law”) is intended to enhance the reliability of the check as a means of payment and to enhance the payment ethic in Israel’s economy.
2. The Law establishes in Sections 3a(c) and 3c(b) that the Supervisor of Banks is to notify all the banks of a restricted account, a restricted customer, a customer restricted under aggravated circumstances and a customer restricted under special circumstances (hereinafter, “the Information”). The Information is submitted to banks mainly for carrying out the provisions of Section 5 of the Law, according to which the bank is prohibited from paying a check drawn on a restricted account, supplying check forms for drawing from a restricted account, or opening a checking account for a restricted customer.
3. In accordance with the Databases Registry’s guideline from October 29, 2002 on “Keeping information on drawers of checks without cover”, and its clarification dated January 29, 2003 (hereinafter, both together referred to as “the Guideline”), banks are permitted to keep information on a customer being a “restricted customer” or a “customer restricted under aggravated circumstances” for a period of up to 3 years after the end of the restriction period. This guideline does not apply to information at the bank regarding the customers’ accounts held at that bank.
4. In view of the update of the stance of the Privacy Protection Authority (previously, ILITA—the Israeli Law, Information and Technology Authority), which is charged with, among other things, the registration of databases, and the view of the Enforcement and Collection Agency in the Ministry of Justice; the developments that have occurred in the protection of the right to privacy over the years since the guideline was issued, and the balance between it and the use of credit data, as established in the Credit Data Services Law, 5762-2002 and in the Credit Data Law, 5776-2016; in view of customers’ complaints received at the Banking Supervision Department on the difficulties they face in ongoing activity due to the use of information regarding their restriction in the past; and in light of the approach that people should be able to rehabilitate their economic situation, I hereby clarify and establish within the framework of this Directive, banks’ requirements regarding the keeping and using of the **information reported to them by the Banking Supervision Department** on the restriction of checking accounts.
5. In cases of a restriction under special circumstances, the contact for clarifying details related to the restriction is the entity that imposed the restriction. Therefore, the banking corporations were required, in a letter sent to the banking system on August 7, 2014 on

the topic of “Restriction under special circumstances—presentation of the restricting entity”, to refer customers requesting clarification on a restriction under special circumstances to the entity that imposed the restriction. This guideline is anchored within the framework of this Directive.

Application

6. This Directive shall be imposed on information found at the banks on the date it goes into effect, whether it was received from the Banking Supervision Department prior to the date the Directive goes into effect, or received afterward.

Definitions

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Customer	A customer that is not a corporation
Restriction period end	The restriction period ends at the termination of the period set in law, or at an earlier date, on which the bank is informed that the restriction was cancelled by a judicial entity or any other competent authority, for whatever reason.
Restrictions canceled altogether	The cancellation of a restriction by the bank itself due to an error, or a conclusive decision by a court under its authority according to Section 10 of the Law, which led to the cancellation of the restriction.

Manner of keeping the information

8. The transfer of information to banks on customer and account restrictions is part of the Law’s implementation. Therefore, keeping information and using information that is sent to banks by the Banking Supervision Department, during or after the restriction period, for purposes other than those for which it was sent, are a negative impact on customers’ privacy, as understood in the Privacy Protection Law, 5741-1981.
9. Notwithstanding the provisions of Section 8 above:
 - a. A bank must keep information on restrictions imposed under Sections 2(a) and 3(a) of the Law—except for restrictions cancelled altogether, which are not to be kept—for a period of up to 3 years from the end of the restriction, only if the information is required for implementing Section 3a1 of the Law, which deals with notifying a person who requests to join an account. For that purpose, a bank is to restrict access to information solely to the bank employees who require this information for carrying out the provisions of Section 3a1 of the Law.

- b. A bank is permitted to keep information on restrictions imposed on accounts that the customers holds, including information on restrictions that were cancelled altogether, provided that keeping the information on a bank customer will serve for dealing with enquiries of the customer or the Banking Supervision Department regarding the bank's conduct toward its customers. The access to information is to be limited and permitted solely to the bank employees working in the Public Enquiries Unit.

Response to enquiries regarding special restriction

- 10. When customers seek clarification regarding a restriction under special circumstances on their account, the banking corporation is required to:
 - a. Verify that the identification of the entity that imposed the restriction appears on the system's screens seen by the clerk dealing with the case.
 - b. Verify that the customer is referred by the clerk dealing with the case to the relevant entity that imposed the restriction, including details on how to contact that entity.

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Updates

Circular number	Version	Details	Date
2539	1	Original circular	September 25, 2017