

DEBIT CARDS

Introduction

1. The credit-card companies that operate today are auxiliary corporations of banking corporations as this term is defined in the Banking (Licensing) Law, 5741–1981. This Directive regulates the activities of credit-card companies and of banking corporations in respect to operation of the debit-card system.

Definitions

2. **“Credit-card company”** - An auxiliary corporation as per Section 11(d) of the Banking (Licensing) Law, 5741–1981.

“Debit card” -
“Payment card” -
“Asset”-
“Customer”-

As defined in the Debit Cards Law, 5746–1986

“Issuer” -
“Vendor”

As defined in the Debit Cards Law, 5746–1986

“Points/Stars”

Entitlements that an issuer offers its customers for the use or possession of a debit card

Proper Conduct of Banking Business Directives that Apply to Credit-Card Companies

3. The Appendix to this Directive includes a list of all Proper Conduct of Banking Business Directives that apply to credit-card companies.

Issue of Debit Card

4. With the exception of the renewal or replacement of an existing card, an issuer shall not issue a debit card in the name of a customer unless said customer has presented a documented application. For this purpose, an application signed by the customer, written documentation of a conversation, recorded documentation of a conversation in which a customer requests the issue of a card, or a request by means of an Interactive Voice Response (IVR) and/or on-line system shall be considered documentation.

5. A credit-card company may issue debit cards in Israel and have customers sign authorization to debit their account by sending a contract in the mail to the customer and receiving it by mail, signed by the customer, or by signing customers to the contract in the presence of a representative of the company in various locations (hereinafter: temporary branches), as the credit-card company chooses, provided that the following conditions are met:
 - (a) The debit-card contract shall enshrine the customer's right to cancel the contract without any fee within thirty days of the date on which he received the card, provided that no use of the card was made;
 - (b) The particulars of the company (address, telephone number, and fax number) (hereinafter: the center) shall be provided to the customer for purposes of enquiries. The documentation related to the issue of the card shall be kept at the center;
 - (c) Approval of an application for a debit card, with the exception of a payment card, shall be made at the center;
 - (d) A temporary branch shall be located at a counter or in a room where the identity of the company is appropriately marked. Activity vis-a-vis customers shall take place only on the premises of the temporary branch.

Delivery of Debit Card

6. The issuer shall, in its procedures, establish precautions to verify that the card is in fact delivered to the customer.

Mailing and Advertising

7. A credit-card company may attach to a monthly statement of transactions made with the debit card (hereinafter: "monthly statement") an advertising booklet that offers its customers assets of vendors who advertise in the booklet (hereinafter: "advertising booklet").
8. The revenues that the credit-card company receives from the sale of advertising space in the advertising booklet shall not exceed the operating cost of mailing the monthly statement to customers (net of the cost of producing the monthly statement) and production expenses for the advertising booklet enclosed in the same mailing.

Marketing of Assets

9. (a) Apart from distributing the advertising booklet, a credit-card company may not be involved in the process of selling and marketing assets (taking orders, distribution of assets, ownership of assets, etc.) that are offered in the advertising booklet.
(b) Notwithstanding the provisions of Subsection (a) above, the management, mailing, and distribution of assets awarded to customers for points/stars or as a gift may be performed by the credit-card company.

Termination of Debit-Card Contract

10. The issuer shall document a customer's notice of termination of the debit-card contract. After completing the actions needed to terminate the debit-card contract, the

issuer shall send the customer written notice to this effect. The notice to customer may also be forwarded on the monthly statement.

Debits and Credits of Cancelled Debit Card

11. (a) An issuer shall not debit a customer's account for transactions made after the termination of the debit-card contract, as set forth in Section 4 of the Debit Cards Law. However, in the event of misuse of a debit card, the issuer shall act as set forth in Sections 5 and 6 of the Debit Cards Law.
- (b) In the event of a long-term transaction that extends past the termination of the debit-card contract:
 - (1) The issuer shall send the customer written notice about the termination of the debit-card contract and shall note the duration of the period in which he shall continue to honor debits, insofar as it has decided that there should be such a period. This period shall not exceed three months from the date of termination of contract unless the customer stipulates a shorter period (hereinafter: "transition period"). The notice shall state that the customer must transfer his debits to another debit card or to some other instrument of payment.
 - (2) The issuer shall send the vendor or the clearer, as the case may be, written notice about the termination of contract and shall note the date on which the issuer shall cease to debit the customer for said transaction. If the issuer and the clearer are separate corporations, the clearer shall forward said notice to the vendor after having received it from the issuer.
- (c) Notwithstanding the provisions in Subsection (b)(1) *supra*, if during the transition period the customer applies for a new card or owns another card, the issuer may transfer the debits to the new or other card on behalf of the customer.

For the purposes of this Section, a **"long-term transaction"** is a transaction between a customer and a vendor, about which the vendor reported to the issuer, at the time of

the transaction, that payment will be collected via authorization for direct debit to the debit card.

Details of Account

12. (1) The issuer shall disclose to the customer the following additional information on the monthly statement:

(a) The name of the vendor as it is presented to customers, as reported to the issuer by the clearer, unless the Supervisor establishes otherwise.

(b) Whether the card was presented at the point of transaction, as reported to the issuer by the clearer, unless it is a long-term transaction as defined in section 11, about which the issuer reported to the customer in the monthly statement that it was such a transaction.

In this regard, "presenting the card": reading the card data at a terminal found at the vendor's place of business or via any other designated means which serve the vendor in reading the cards.

(c) In regard to transactions conducted in foreign currency, including purchase of assets, cash withdrawal of foreign currency, and cancellation of transactions, as stated:

- (1) The date of the transaction;
- (2) The amount of the original transaction;
- (3) The currency in which the original transaction was performed;
- (4) The date on which the transaction was converted into the currency in which the customer was charged;
- (5) The exchange rate at which the conversion was made (including type of exchange rate and reference to historical data). If the conversion was made on the basis of the amount collected from the issuer by the international clearer (in a different type of currency from that in which the original transaction was made), the issuer shall also disclose the amount and the type of currency in which it was charged by the international clearer.

- (6) The total amount that the customer was charged for the transaction (including the currency in which the charge was made).
- (7) The amount of fees that the issuer charged the customer, by component.
- (d) In regard to payment transactions indexed to foreign currency—the base exchange rate and the exchange rate at which the charge was made. In regard to CPI credit transactions—the base index and the last known index at which current charge was performed.
- (e) An issuer who allows customers to accumulate points/stars shall itemize, on the monthly statement, charges made with the points/stars and the balance available to the customer after the charges were made (opening balance, added points/stars, subtraction itemized by date and nature of transaction, and closing balance).
- (f) Credit facility and the interest rate pertaining thereto.
- (g) For cards that offer the possibility of an exemption from certain fees in accordance with the extent of transactions (a required amount and/or number of transactions), the issuer of the card shall itemize, at least once every three months, the number of transactions and/or the amount of purchases actually made with the card as against the number of transactions and/or the amounts of purchases required to obtain the exemption, for the period to which the exemption pertains.
- (2) Notwithstanding what is recorded in subsection (1) above, if the customer's card shall be cancelled or blocked, and the issuer continues to charge the customer's account for transactions conducted with the card prior to the cancellation or blocking, the issuer may only send the customer a statement regarding such transactions, soon after the first and last payment dates after the cancellation or blocking, and at least once every three months.

Points/Stars

- 13. Cancelled.

14. Cancelled.

15. Cancelled.

Conversion of Foreign-Currency Transactions into NIS

16. Transactions cleared in foreign currency shall be converted into NIS at the amount charged by the international clearer for the transaction at the exchange rate of the billing currency or, on the basis of the amount of the transaction in the currency in which it was conducted, at the exchange rate of the transaction currency, as close as possible to the clearing date, provided that said rates and the conversion mechanism be consistent and overt. If the issuer chooses to use a rate of conversion that is not the representative rate, he must apprise customers of said rate in a manner that is at least one year retroactive (e.g., on the issuer's Website).

Appendix

Proper Conduct of Banking Business Directives
that Apply to Credit-Card Companies¹

- a. Board of Directors (301)*
- b. The External Auditor of a Banking Corporation (302)*
- c. Communication of External Auditor with Those Charged with Governance in the Banking Corporation (303)*
- d. Chief Accountant (305)*
- e. Compliance Officer (308)
- f. Cancelled
- g. A Banking Corporation Business with Related Parties (312)
- h. Limitations on the Indebtedness of Borrowers and a Group of Borrowers (313)
- i. Self-Purchase by Banking Corporations (332)
- j. Risk Management (339)*
- k. Cancelled
- l. Embezzlement by Employees and Officials (351)*
- m. Banker's Insurance (352)*
- n. Removal of Documents from the Offices of Banking Corporations (356)*
- o. Information Technology Management (357)
- p. Banking Corporations' Ties with Intermediaries (359)
- q. Rotation and Uninterrupted Vacation (360)*
- r. Benefits to Customers' Employees (404)*
- s. Banking Services for New Immigrants (406)*
- t. Charging Customers for Legal Fees (409)

¹ The term "customer" in a given Directive may also relate to vendors that are, in fact, customers of a credit-card company.

* Directives that were applied to credit-card companies when this Directive went into effect.

- u. Solicitation of Contributions from Customers by Employees of a Banking Corporation (410)*
- v. Prevention of Money Laundering and Financing of Terror, and Customer Identification (411)
- w. Procedures Regarding Fees (415)
- x. Minors' Accounts (416)
- y. Early Repayment Fee on a Non-housing Loan (454)
- z. Correction and Cancellation of Entries by Credit-Card Companies (471)

- aa. Transfer of Activity and Closure of a Customer's Account (section 11(b) in Directive 432)
- bb. Measurement and Capital Adequacy (201-211)
- cc. Electronic Transfer of Information (420)
- dd. Reduction or increase in interest rates (421)
- ee. Non-banking benefits to customers (403)
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