

Directive 424—Opening a Current Account with a Credit Balance for Financial Entities

Introduction

1. In recent years, licensing and supervision requirements have been defined for entities providing nonbank financial services in Israel.
2. For the purpose of their activity, these entities need to maintain a current account in a banking corporation. This directive is designed to regulate requirements applicable to the banking corporation vis-a-vis the financial entity while opening and maintaining the account.
3. In this regard, among other things, Section 2(e) of the Banking (Service to the Customer) Law, 5741-1981 (hereinafter – the Law) determines that in the event that a banking corporation refuses to provide the service denoted in Section 2(a)(2) of the Law to a financial entity, for itself or for its customers, or if such service had not been provided within three months from the date the first request was submitted by the financial body to open and maintain an account, the banking corporation shall inform the Supervisor of Banks of this and provide reasons for its refusal to the above.
4. To be clear, so as to remove all doubt, nothing in this directive shall detract from the banking corporation's requirements in accordance with any law, including Section 2 of the Law, or shall compel a banking corporation to provide service not in accordance with the terms of its license or in violation of a business policy as per Section 2(d) of the Law.

Application

5. This directive shall apply to a banking corporation as it is defined in the Banking (Service to the Customer) Law, 5741-1981.

Definitions

6. In this directive –

“Financial Entity”	-	A corporation licensed in accordance with the Control of Financial Services (Regulated Financial Services) Law,
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5776-2016 or a payment company as defined in the Payment Services Occupation Regulation Law, 5773-2023;

“Account” - A current account in Israeli currency with a credit balance.

Deciding on a Request to Open an Account

7. If a banking corporation has refused to open an account for a financial entity, for itself or for the customers of the financial entity, it shall provide its written decision near the decision date; such a decision shall include details if the reasons for the refusal, subject to the law; such a decision shall also include notice to the financial entity that it is entitled to contact the Supervisor of Banks regarding the refusal.
8. If three months have passed from the date the financial entity has asked to open an account in a banking corporation, and the financial entity has not been provided notice on whether the request has been accepted or refused, the banking corporation shall send the financial entity written notice; such a notice shall include details of the reasons for the delay, subject to the law; such notice shall also include a message to the financial entity that it is entitled to contact the Supervisor of Banks regarding the delay.

Reporting to the Banking Supervision Department

9. a) In the event that a banking corporation refuses to provide the service denoted in Section 2(a)(2) of the Law to a financial entity, for itself or for the financial entity's customers, or if such service had not been provided within three months from the date the request was first submitted by the financial entity to open and maintain an account at the banking corporation (in this section—a delay in providing service), the banking corporation shall inform the Supervisor of Banks of this and provide explanation for its refusal to provide the service or the reason for the delay in providing service, as the case may be.
- b) A report as per Subsection (a) shall be in accordance with Reporting to Banking Supervision Directive 824 on the subject of “Reporting Requests to Open an Account for a Financial Entity.”

Updates

Circular no.	Version	Details	Date
2767	1	Original directive	December 24, 2023