

Jerusalem, March 26, 2023  
**Circular Number C-06-2744**

Attn:  
**Banking Corporations and Acquirers**

## **Re: Management of Customer Service and Support Array**

(Proper Conduct of Banking Business Directive no. 501)

### **Chapter A—Introduction**

1. Appropriate, available, effective, and high-quality professional customer service plays an essential and immensely important role in customers' positive experience when they engage in financial activity, enabling customers to benefit from services and products that are offered to them, and strengthening public trust in the banking system.
2. In recent years, in view of technological developments in the banking industry, new service channels for the delivery of banking services and products have been added and direct-channel consumption of banking services and products has been trending upward. As the range of options available to customers has expanded, customers' needs have changed and their expectations of strong availability of services and professional and personal support services, offered remotely and outside bank branches' business hours, have increased.
3. A business environment and an organizational culture that sustain and promote fair conduct toward customers at all interfaces between customers and banking corporations, and the existence of effective, available, clear, and fair service and support arrays, abet efficient and responsible relations between banking corporations and their customers. Such an environment enables customers to obtain needed information and services at a time and in a manner that enable them to understand the products and services that the banking corporation is offering and the options available to them, at all stages of the relationship, and helps them to make informed decisions about their financial assets and liabilities.
4. The technological developments are enabling banking corporations to improve the quality of their customer service and to deliver banking services and information in a more available and effective way. As this unfolds, they are investing in assimilation of the advanced services, retaining the possibility of offering human professional services, and assisting population groups that find it difficult to make an adequate transition to the digital world. Within this framework, the Banking Supervision Department wishes to promote the assimilation of a proactive approach, by which a banking corporation “places itself in the customer’s shoes” and acts so that its service and support arrays will enable customers to receive relevant information (including information about benefits, risks, and costs) at a time and in a manner that will allow them to make optimum decisions from their standpoint.
5. The Banking Supervision Department, like leading financial regulators abroad, promotes competition and innovation while encouraging fairness and equitability in the banking system and creating ways to cope with the new challenges that banking customers and corporations are

facing from a “customer in the center” perspective. One of the Department’s main objectives is “assimilating a fair, inclusive, and impactful culture vis-à-vis customers, and we consider appropriate customer service essential in fair conduct toward them.”

6. This Directive is part of a planned across-the-board move that aims to lay down principles and standards in areas of banking consumerism for fair comportment by banking corporations toward their customers. In this respect, it resembles existing guidelines abroad in the matter, such as the OECD High-Level Principles on Financial Consumer Protection and the FCA principles of obligations to financial consumers.
7. This Directive lays down principles for the provision of service and support for banking-system customers on different service channels as specified in Chapter C of the Directive (hereinafter—**“the Principles”**) and establishes obligations in banking corporations’ corporate governance and working processes in order to promote an organizational culture that emphasizes the quality and availability of customer service and support. Within this schema, banking corporations’ boards of directors and managements are instructed to establish strategies, policies, programs, and working processes that will ensure the advancement of their corporations’ compliance with said Principles. Banking corporations are instructed to act systematically, persistently, and protractedly to improve their compliance with the Principles, using discretion and prioritization in accordance with importance for the customer.
8. To eliminate doubt, the demand for quality and availability of customer service and support is derived, *inter alia*, from the requirements of trust, prudence, and good faith that apply to banking corporations by law. This Directive complements the provisions of the law, including those of other Proper Conduct of Banking Business Directives that regulate other aspects of customer service and support in the banking system, and nothing in this Directive shall derogate from other requirements set forth by law.
9. This Directive is not accompanied by the promulgation of a report under the Principles of Regulation Law, 5781-2021, due to significant actions that were taken before the law went into effect, in accordance with a decision by the Governor.

## **Details of the Sections**

### **10. Chapter B—Corporate governance**

Sections 9–11 lay down the obligations of the board of directors of a banking corporation in regard to customer service and support. Sections 12–17 determine what a banking corporation’s senior management must do in this context.

#### **Explanatory remarks**

As part of the conceptualization of customer service and support as a material and decisively important topic in assimilating an organizational culture that promotes fairness and internalization of customers’ needs, the Directive establishes obligations that the Board of Directors and senior management must meet in order to establish an organizational infrastructure that focuses on the quality of a banking corporation’s customer service and support as a material field in its ongoing activity.

The field of customer service and support embraces all areas of a banking corporation’s activity and all executive echelons, and it must be given comprehensive system-level attention in order

to promote service and support arrays that function in an optimal way that is in line with customers’ needs and regulatory expectations in the matter and to ensure that the aspects of service and support are addressed in the banking corporation’s business, operational, and marketing models and in its policies and procedures.

In reference to management’s obligation to establish procedures for the planning and review of the “customer journey,” it is stated for clarity that a banking corporation must use discretion and plan out said “journey” in its various products and service channels in a manner that is proportional and that accords with their importance for the customer and their complexity. In said planning, the banking corporation must determine, *inter alia*, whether and when it needs to initiate communication with the customer and ensure that when customers are provided with service, they receive the information they need and are given a reasonable and adequate amount of time to make decisions and carry out actions in an informed manner.

## 11. Chapter C—Principles of Customer Service and Support Delivery

### a. General remarks

This chapter spells out customer service and support Principles that reflect the policy of the Banking Supervision Department and standards of appropriate, fair, and equitable conduct toward customers. These Principles are meant to ensure that the service and support array respond to customers’ needs optimally and valuably.

A banking corporation must act, by applying Chapter B of the Directive, to promote and improve compliance with the Principles continually, flexibly, and dynamically, with discretion applied and priority given to the advancement of matters on the basis of their importance for the customer generally and with particular emphasis on individual and small-business customers, based on a consumer-centric perspective that has these customers in mind. Examples of the application of the Principles are given in Appendix A of the Directive. As it applies the Directive, a banking corporation shall integrate the treatment of these examples into its work plan as expeditiously as possible, without impairing the starting dates of the examples that appear in existing Proper Conduct of Banking Business Directives. It is also stated for clarity that the examples presented are not exhaustive in respect of the Principles laid down in this chapter and do not replace the Principles that apply by force of the Directive but rather reflect issues that came up in practice when the Banking Supervision Department investigated inquiries from the public and were meant to help to explain the Principles.

It is also stated for clarity that the examples do not derogate from other requirements established by law that apply to said service and support.

### b. Section 20—optimal service and support array

This section lays down a Principle that is meant to ensure optimal customer service.

#### Explanatory notes

In accordance with this Principle, a banking corporation should “place itself in the customer’s shoes” and act to maintain service and support arrays that will respond to customers’ needs in both regular and urgent cases. The aim is that customers will receive appropriate services and support with which they may assess and weigh their options and will also have the time

and the possibility of making decisions or carrying out financial transactions effectively and intelligently in order to attain optimal outcomes from their standpoint. Within this construct, a banking corporation must, *inter alia*, include in its review of its service and support arrays the standpoint of a customer who needs service or support and must determine whether the information and the possibilities of choice presented to customers allow them to make optimal decisions from their perspective. A banking corporation must also determine whether the provision and availability of its service and support channels respond to customers' needs adequately.

c. **Section 21—effective communication**

This section lays down a Principle meant to promote effective communication between banking corporations and customers in the delivery of service and support.

**Explanatory notes**

A banking corporation must act consciously and proactively to help the customer to understand and must make sure that its service and support are given fairly, simply, and in clear language on all service channels. Within this construct, the corporation must plan and examine the information and the options presented to customers on the various service channels on a “thinking of the customer” basis in order to make sure that customers will receive all information that they need to understand their options, including information related to their inherent risks, costs, and benefits, and to make effective decisions in accordance with their needs and goals, while in contrast, the information is presented with consistency and clarity that will simplify and help customers navigate the various possibilities of choice and action. For this purpose, a banking corporation shall make sure that important information is presented to the customer directly, prominently, and immediately, and where necessary, shall layer additional information that the customer needs.

A banking corporation shall also take measures to promote customer understanding and engagement where necessary and shall present the information at an appropriate time in terms of relevance, type of product, type of service channel, and customers' needs as it provides a certain service, in order to enhance customers' ability to make intelligent decisions.

It is stated for clarity that this Principle does not obviate the need for full presentation of information to the customer and that its purpose is to improve the way the information is presented in order to make it more effective, relevant, and useful for the customer.

It bears emphasis that the timing of the provision of information, support, or service may have a material impact on the customer's ability to take action.

d. **Section 22—preventing obstruction of service, damage, and deception**

This section establishes a Principle meant to prevent obstacles to the receipt of service by the customer and to mitigate the risk of harm to or deception of the customer within the framework of the activity of the service and support array.

**Explanatory notes**

This principle broadens the existing requirements of general law. A banking corporation must ensure that customer service and support on its various service channels give customers value and enable them to realize the benefits of the products they hold and to obtain banking services optimally. In so doing, the corporation should refrain from using cumbersome or

confusing practices, placing obstructions or difficulties in the path of customers who approach it for service or support in a way that may deceive the customer, and subjecting customers to additional unreasonable or nonessential costs, including nonfinancial costs.

In addition, recent years have seen a growing awareness of the effect of customers' behavioral tendencies on their decision-making in many fields, including the receipt of service. A banking corporation shall take reasonable action to detect, identify, and respond to customers' possible behavioral tendencies, *inter alia* in accordance with their characteristics and those of the banking products and services, and, within this generality, on the basis of information yielded by the examination and measurement tools established in accordance with Chapter B of this Directive.

e. **Section 23—availability and quality throughout the term of the customer relationship**

This section establishes a principle that is meant to ensure a high level of service and support availability and quality throughout the term of the customer relationship.

**Explanatory notes**

A banking corporation shall ascertain that its service array ensures delivery of appropriate service and support to customers throughout the “customer journey” and along the entire lifespan of a product or service and even afterwards where necessary and as the case may be. Within this framework, banking corporations shall ensure that both the customer's first contact and the possibilities of cancelling a product, disengaging from a service, making changes, or receiving an ongoing response will be as available, simple, and easy as possible, and shall refrain from causing unreasonable inconvenience or delays in delivering service to the customer and completing the handling of her or his affairs.

In reference to the guideline relating to ongoing care of the customer, it is stated for clarity that its purpose is to establish optimal working processes among various service providers at the banking corporation.

f. **Section 24—customer-tailored service and support**

This section lays down the Principle of tailoring the service and support array to customers' needs.

**Explanatory notes**

A banking corporation shall take practical measures to ascertain that its service channels respond to diverse needs of various groups of customers, including cases in which customers are vulnerable and in which they face problems that are urgent for them. Within this construct, a banking corporation shall monitor and analyze customers' needs and adjust its service and support arrays to them.

It is stated for clarity that the foregoing does not require a banking corporation to deliver service that is fully tailored to the needs of each and every customer; to apply the Principle, a banking corporation may rely, *inter alia*, on segmentation of customers' characteristics and needs that it derives from the analysis of information yielded by the measurement and examination tools invoked in accordance with Chapter B of this Directive.

g. **Section 25—appropriate and high-quality service on a variety of channels**

This section lays down a Principle meant to ensure appropriate and high-quality service on a variety of service channels.

**Explanatory notes**

The purpose of this Principle is to ensure that customers can receive high-quality service across the range of service channels that they are offered and in accordance with their preferences and needs, and that they should have the tools they need to choose the service channel that is optimal for them. Within this generality, it is stated, *inter alia*, that a banking corporation shall allow customers to obtain its services digitally in view of the major changes in the way customers consume banking services. In respect of the requirement of offering a broader selection of services digitally, it is stated for clarity that banking corporations should act to apply this Principle by adopting an annual and multiannual work plan as stated in Section 12 of the Directive without derogating from the possibility of providing service in nondigital ways, for example, at its branches or at telephone call centers.

It is also stated for clarity that the provisions of this section shall not require a banking corporation to offer every service on all possible channels, provided that the principle of diversity be maintained and all laws observed.

**12. Chapter D—adopting a service covenant and publishing details about the customer service and support array**

**a. Section 26—adopting a service covenant**

This section spells out the obligation of senior management, established in Section 12 of the Directive, to adopt a service covenant.

**Explanatory notes**

In reference to the requirement of adopting a service covenant, it is stated for clarity that said covenant should reflect the banking corporation’s service and support policy toward its customers, with emphasis on services that are important and highly valuable to them. The aims of a service covenant are to create transparency and align expectations between the banking corporation and its customers, reinforce the banking corporation’s commitment to delivering high-quality service commensurate with customers’ expectations and needs, and, thus, strengthen trust between the banking corporation and its customers. It is also stated for clarity that adopting a service covenant is a cross-organizational process. A service covenant is meant to serve as an instrument for continual improvement and, as such, is expected to be updated over time. To sustain a service covenant, measurement, examination, validation, update, and improvement mechanisms, based, *inter alia*, on indicators of customer satisfaction, must be employed protractedly in order to maintain the credibility of the covenant over time.

**b. Section 27—publishing details about the service and support array for customers**

This section establishes publication requirements relating to the service and support system. It replaces Section 9 of Proper Conduct of Banking Business Directive no. 426.

**Explanatory notes**

A banking corporation must give its customers information about how to receive service and support in order to mitigate their uncertainty when they need service. Within this schema, the corporation must publish for its customers and for the public at large, accessibly, prominently, and clearly, the business hours of its customer service and support channels and its service

covenant. In so doing, the corporation shall specify the types of services and the actions that may be taken on each service channel and shall allow searching on the basis of type of service on its Web site. It is stated for clarity that the requirements in this section do not derogate from the other obligations under this Directive, particularly the requirement established in Section 25 to allow the possibility of searching available service channels by the type of service sought.

### Indirect amendments

13. Amendment of Proper Conduct of Banking Business Directive 426, “Provision of a Professional Human Telephone Response” (hereinafter: “**Directive 426**”)—Section 9 of the Directive is repealed.
14. Amendment of Proper Conduct of Banking Business Directive 401, “Opening Days of Banking Corporations’ Offices” (hereinafter: “**Directive 401**”)—at the end of the Directive, the title “Provision of Service at Branches” shall be added, followed by Section 9: “A banking corporation shall not prevent customers from entering a branch and receiving professional service there during business hours, and this, even if they did not make an appointment in advance.”

### Explanatory notes

The section is added in the form of an explicit instruction in view of many inquiries from the public to the Banking Supervision Department about the way service is delivered at some banking corporations’ branches and in accordance with the Department’s policy, by which a customer should not be denied service at a bank branch even in a case where the banking corporation maintains an appointment system for the delivery of professional service at the branch. A banking corporation must serve its customers at its branches during business hours and may not prevent them from visiting the branch for service. This is stated in order to give customers adequate service, avoid obstructions in service, and avoid damage, deception, difficulty, or extra costs on account of non-delivery of service at the branch. It is stated for clarity that a banking corporation is not enjoined against running an appointment system that allows customers who visit the branch to make an appointment at the branch in order to join the queue of customers in need of service. It is also stated for clarity that this Directive shall not derogate from the generality of the Principle titled “Preventing obstruction of service, damage, and deception” as specified in Proper Conduct of Banking Business Directive 501, “Management of Customer Service and Support Array.”

### Incidence

15. Proper Conduct of Banking Business Directive 501 (hereinafter: “**Directive 501**”) shall go into effect one year after it is gazetted.
16. Notwithstanding the contents of Section 15 above:
  - a. Sections 27(a)–(b) of Directive 501 shall go into effect up to three months from the date on which Directive 501 is gazetted.
  - b. Section 27(c) of Directive 501 shall go into effect two years from the date on which Directive 501 is gazetted. The first document published under Section 27(c) shall relate to the most recent calendar quarter before the date on which the section goes into effect.

17. The amendment to Directive 426, as set forth in Section 13 of this Circular, shall go into effect three months from the date on which Directive 501 is gazetted.
- 18 The amendment to Directive 401, as set forth in Section 14 of this Circular, shall go into effect at the date on which Directive 501 is gazetted.

**File update**

19. Update pages for the Proper Conduct of Banking Business Directives file are attached. The following are the update instructions:

<u>Remove page</u>	<u>Insert page</u>
401-1-2 [3] (3/ 17)	401-1-2 [4] (3/23)
426-1-3 [3] (9/21)	426-1-3 [4] (3/23)
_____	501-1-7 [1] (3/23)

Respectfully,  
[Signed]  
Yair Avidan  
Supervisor of Banks