

Supervisor of Banks

July 27, 2020

20LM3296

To: The banking corporations and credit card companies**Re: Carrying out banking activities remotely during the period of the coronavirus crisis and in routine times**

In recent years, we have seen consistent growth in the range of banking services offered to customers without their having to go to the bank branches, as well as a change in public preferences, leading to an increase in the amount of bank activities that they carry out remotely. The Banking Supervision Department works on an ongoing basis to make this development possible and encourages it, with the understanding that it improves the service provided to banking system customers. During the course of the coronavirus crisis that we are enduring, the importance of being able to carry out banking activities remotely has increased notably, as it allows the continued providing of ongoing banking services, while protecting the health of customers and of banking system employees.

Accordingly, one of the solutions promoted by the Banking Supervision Department recently relates to the issuance of a debit card to customers who do not have another means of payment, which allows the conducting of activities by phone and Internet and the withdrawal of cash, without having to go into the bank branches. In order to encourage the use of said debit cards, the Banking Supervision Department promoted agreed-upon frameworks with the banking system that expanded the distribution of the cards, and worked to remove regulatory barriers that prevented this and to encourage customers to enroll in the online services remotely.

In addition, as is known, a current account is an essential service for the public. Therefore, it was established in Section 2 of the Banking (Service to Customer) Law, 5741-1981, that a banking corporation shall not unreasonably refuse the opening and management of an Israeli-currency current account, under the terms detailed in the section. Proper Conduct of Banking Business Directive no. 422 followed on this and determined that a banking corporation shall not unreasonably refuse a customer's request to manage the account, among other things, through means of payment like a debit card, and that a banking corporation shall not unreasonably refuse a customer's request to carry out activities in the account via e-banking channels.

Against the background of the above, I find it proper to emphasize to you the importance and the necessity of also providing a response for carrying out activities remotely to population groups for whom there are various barriers, such as customers who are going through bankruptcy and default proceedings, legal guardians, and wards who have been assigned a guardian. It is proper for this response to be given in accordance with the provisions of the Law, with Proper Conduct of Banking Business Directive no. 422, and with the position papers of the Office of the Administrator

General and with the voluntary memorandum of understanding regarding guardianship accounts, the main emphases of which are:

1. **Issuing a debit card to a guardian or to a ward for whom a guardian has been appointed¹:** Issuing a debit card to this population will help it in managing guardian accounts, particularly at these times. Of course, the issuance will be carried out in appropriate cases, without derogating from the specific judgment of the bank in issuing a debit card in a particular guardian account, in accordance with the circumstances of the case.
2. **Issuing a debit card and carrying out activities via direct channels by private customers who are going through bankruptcy and default proceedings²:** Due to an enquiry by the Banking Supervision Department to the Administrator General and the Official Receiver, the official position of the deputy Official Receiver was received, according to which the banking corporations may issue debit cards to their customers who are going through bankruptcy and default proceedings, without needing a specific authorization of the trustee in each proceeding, and without the customers needing to go into the bank branches. He further clarified that also regarding customers enrolling in service to carry out activities in the account via e-banking channels, an across the board authorization was given, so that a specific authorization is not needed for each trustee. Note that he clarified that this position stands in routine times as well.
3. **Managing guardian accounts³:** An easing on handling financial issues for wards for whom a guardian has been appointed, and for guardians who have been appointed for them, in view of the special sensitivity of this population of customers and the difficulties they face in opening and managing guardian accounts. The goal of the document is to protect the interests of people for whom a guardian has been appointed, and to provide them with transparency in terms of their accounts and activity in accordance with their ability. An additional goal is to assist guardians in carrying out their functions and to clarify the requirements and limitations in dealing in guardian accounts.

As noted, the Banking Supervision Department ascribes great importance to constant improvement of the banking system's dealing with its customers, including customers from the abovementioned groups, in providing possibilities for remote activity, the importance of which increases in particular during this period of the coronavirus crisis. As such, and in view of the importance of making financial services accessible and carrying out appropriate processes for financial inclusion, I request your attention to and action in this issue.

¹ The Administrator General's position from June 7, 2020, on "Debit cards in guardian accounts" (in Hebrew): <https://www.gov.il/he/Departments/policies/8720-position-paper>

² Position of the deputy Official Receiver from March 24, 2020, "Switching private customers who are going through bankruptcy and default proceedings to carrying out activities via direct channels vis-à-vis banks and issuing debit cards for them" (in Hebrew): <https://www.gov.il/he/departments/news/26-03-2020>

³ The voluntary memorandum of understanding on "Guardian accounts" formulated in collaboration between the Association of Banks in Israel and the Bank of Israel-the document was published on the website of the Administrator General (in Hebrew): https://www.gov.il/he/departments/policies/1_guardian_accounts

Sincerely,

**Yair Avidan
Supervisor of Banks**