

Bank-Customer Division
Banking Supervision Department
June 13, 2022
Circular-06 no. 2714

To: The banking corporations

Re: Advanced Payment Services
Proper Conduct of Banking Business Directive no. 427

1. The technological developments of recent years have led to considerable innovation in payment systems and to expansion of the payment services offered to the public, particularly digital payment services. As part of this trend, banking corporations now also offer payment services that enable customers to execute payment transactions via payment applications.
2. On October 14, 2020, the **Payment Services Law, 5779-2019** came into effect. This law regulates payment services and means of payment and establishes a normative infrastructure for current and future developments in the field of payments in Israel. Among other things, the law sets out provisions regarding payment transactions.
3. Given the substantial increase in the use of payment applications to conduct money transfers, there emerged a need to regulate aspects of the disclosure provided to customers regarding the payment transactions executed via such applications. This regulation pertains to the disclosure made by a current account manager and/or payment card issuer through whom the transaction is executed.
4. This directive complements the provisions of the Payment Services Law regarding payment transactions and establishes disclosure requirements applicable to banking corporations concerning payment transactions executed via payment applications. The directive outlines the data to be presented to the payer and the beneficiary regarding each transaction and establishes guidelines for the exchange of information between banking corporations and their customers, as well as between banking corporations and banking payment applications.
5. Following consultation with the Advisory Committee on Banking Business Affairs and with the approval of the Governor, I hereby issue this directive.

Sections Breakdown

6. Definitions

Section 5 defines a "payment application" as an online payment method used to transfer and receive funds, excluding payment cards or current accounts. It is clarified that for transactions conducted at commercial establishments via tokens, the applicable payment method is a payment card. Therefore, disclosure to the customer for such transactions should follow Banking Supervision Directive No. 470 concerning "Payment Cards" (hereinafter: "**Directive 470**").

Disclosure of Transactions Executed via Payment Applications

7. Section 6 of the directive delineates the specific transaction data that current-account managers and/or payment card issuers must present to customers regarding payments executed through payment applications (credits or debits). The purpose is to ensure that customers receive effective disclosure about those transactions, and to enable them to monitor them by their current account or payment card. This applies to both payment applications managed by a banking corporation and those not operated by a banking corporation.

Within the framework of the information to disclose to the customer, at least the following is to be disclosed—name of the payment application used, names of the transaction participants (payer or beneficiary), transaction date, transaction amount, and transaction purpose (if available) in accordance with the information received by the current-account manager or payment card issuer from the payment application, to the extent this was received.

8. Section 7 of the Directive establishes that banking corporations must include this payment transaction data as part of the regular payment activity reports provided to customers regarding their current account or payment card. This applies to transactions made via both banking corporation operated and non-banking corporation operated payment applications, as part of the ongoing reports customers receive from the current account manager and/or payment card issuer. The data should be reflected in transaction summary statements and through all communication channels used by the banking corporation to provide details of payment transactions executed in their payment accounts.

9. Section 8 of the Directive imposes an obligation on payment applications managed by a banking corporation to transmit the required data as outlined in Section 6, under the following conditions:

a. Regarding the manner of implementing Section 6(b), it was established that the names of entities involved in the payment transaction—payer or beneficiary, as relevant—shall be presented to the customer based on how they are registered in the payment application, not based on how the customer identifies them in his contacts file. This is subject to Appendix B.2 of Proper Conduct of Banking Business Directive No. 411 concerning “Management of Anti-Money Laundering and Countering Financing of Terrorism Risks”.

b. Regarding the manner of implementing Section 6(e), it was established that if the customer entered a payment purpose in the application, that information must be transmitted at a minimum to the current-account manager. While the banking corporation may also transmit it to a payment card issuer, doing so is not mandatory at this stage. If received from the issuer, the issuer must disclose it to the customer as per Sections 6 and 7 of the Directive.

c. Regarding the timing of data transfer between banking corporations, it was established that the data shall be transferred in real-time with the execution of the transaction to ensure that the information presented to the customer is up-to-date and relevant, and that the disclosure given to the customer shall be transparent and effective.

10. Commencement

This directive shall take effect on January 1, 2023. A banking corporation may implement this directive, or parts of it, prior to the effective date.

11. File update

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

Remove page

Insert page

(6/22) [1] 427-1-2

Respectfully,

Yair Avidan
Supervisor of Banks