

Banking Supervision Department

Jerusalem, June 11, 2023

Circular No. C-06-2746

Attn: The Banking Corporations and Acquirers

Re: Joint accounts—Survivorship Clause and Handling Existing Charges after a Death

(Proper Conduct of Banking Business Directive No. 434)

Introduction

1. It is important for customers to be aware of the possibility of an account co-owner's death and its ramifications, and to manage the account accordingly. In addition, when such an event occurs there are many complexities and sensitivities for the surviving co-owner, which increase the need for awareness and sensitivity by the banking corporation, while adjusting the service to the needs of the surviving co-owner, among other things as determined in Proper Conduct of Banking Business Directive no. 501.
2. The existing version of the Directive referred mainly to the relationship between the surviving co-owner and the heirs of the decedent and the banks' involvement from this aspect. There was insufficient reference to enhancing the awareness of the meaning of the "survivorship" condition and the meaning of the decision required of co-owners regarding whether they want to enable the surviving co-owner to continue to act in the account after their death.
3. The Banking Supervision Department received enquiries from the public that indicated a lack of clarity regarding the significance of noting the "survivorship" clause in the contract between the banking corporation and the customer, as well as the significance of not having such a condition in the contract. Thus, a there is a mistaken view among the public that the "survivorship" condition in the joint account forms has the force to transfer assets such as money or securities, from the deceased co-owner to the surviving co-owner. From a legal perspective, the "survivorship" condition does not have such an outcome, and on its own it does not have the force to transfer assets on the day of the death, as the directives in the joint account forms are not a will. In addition, the enquiries indicated that there are cases in which it became clear that the contract with the banking corporation did not have a survivorship condition, and the joint owners were not aware of that prior to the death, which led to difficulty for the surviving joint owner to act in the account after the death of the co-owner.
4. The goals of this update to the Directive are to enhance joint account owners' level of awareness of the existence of the survivorship clause in account opening forms, and its significance, so that its application or non-application will be in line with their interest regarding the rights of the surviving co-owner to act in the account in a case of the death of one of the joint account owners, and will make

it easier for the surviving owner to deal with existing charges via means of payment that were issued for the use of the deceased co-owner.

5. After consulting with the Advisory Committee on Banking Business Affairs, and with the approval of the Governor, I have amended this Directive.
6. The regulation was not accompanied by the publication of a report under the Principles of Regulation Law, 5782-2021, in view of the notable activities that were carried out before the Law went into effect, in accordance with the Governor's decision.
7. **The amendments to the Directive**
The introduction to the Directive was updated.

Explanatory notes:

The wording of the introduction was updated to describe the goal of the Directive. Within this framework, it should be clarified that the implementation of the “survivorship” clause by a banking corporation is to be subject to the corporation's procedures and risk management, with attention to the needs of the surviving co-owner, as determined in Proper Conduct of Banking Business Directive no. 501.

8. Section 5 of the Directive was deleted, and in its place a section was added that determines the application of the Directive.
9. Sections 7–11 determine guidelines regarding the “survivorship” condition in a joint account.

Explanatory notes:

In accordance with the provisions of these sections, banking corporations are to offer their customers the “survivorship” condition in agreements to open a joint account, and to present it to them in a clear and notable manner, while providing an explanation of what it means. It should be clarified that it is important to present this condition in a manner that will ensure the attention of the customers. To that end, it should be confirmed that it is not mixed in with large amounts of information, that it doesn't use complicated terms unnecessarily, or legal or professional jargon that is not required. In addition, guidelines were established that refer to the following cases: the joint owners in the account defined that the signature rights in the account are together and separate, the joint owners in the account defined that the signature rights in the account are together, the joint owners in the account changed the signature rights in the joint account, or that a new partners joined the account.

Underlying the distinction between the above cases is the assumption that the signature rights in the account can indicate the intention of the co-owners in a case of the death of one of them. In particular, in a case in which the signatory rights have been defined as together and separate, it is more plausible that the joint owners wanted the surviving owner to continue to act independently in the account as they had been used to until now, and therefore the requirement was imposed on the banking corporation to recommend to owners that the condition apply. This is with the objective of guiding the co-owners to choose the most

beneficial option for them in most cases, while maintain the possibility to decide otherwise, if they choose to do so.

To remove any doubt, and as this Directive includes reference to the account opening stage, it should be clarified that in a case of opening a joint account online, the instructions of Section 39 of Proper Conduct of Banking Business Directive no. 367 on “E-banking” shall also apply.

10. Section 12 established instructions related to existing charges via means of payment issued for the use of the deceased co-owner.

Explanatory notes

The processes established in the section are intended to assist surviving co-owners to act to arrange existing charges via means of payment that were issued for the use of the deceased co-owner and that are related to their account, including authorized debits of means of payment, and payment transactions. This is with the goal of ensuring the consistency of payments, to make things easier in the complicated and sensitive situation in which they are, and to avoid unpleasantness and unnecessary bother for them.

It should be clarified that this section refers to means of payment in general, not just to payment cards, so that it can include a response for customers who use new means of payment that will be developed in the future.

It should be clarified that the term “connected to the account” refers to all accepted ways to connect means of payment to a current account. Currently a means of payment is generally connected to an account directly, such as the connection between a debit card issued by the bank in which the customer’s current account is managed and the customer’s current account itself, or through an authorized debit of the account, such as the connection between a nonbank credit card and the customer’s current account.

It should be clarified that the details that will be passed between the corporations in this instance will include the minimum information required, taking into account privacy protection.

Section 13 establishes obligations for control over the implementation of the Directive’s sections.

Section 14 establishes a temporary provision, according to which the banking corporations are to contact, on a one-time basis, all the existing joint account owners, who have not chosen that the condition should apply to them, in order to bring the issue to their attention and to clarify their needs, and to the extent necessary, to assist them in making a change in establishment of these agreements.

To remove any doubt, it should be clarified that the banking corporations are to provide a response to any request by the co-owners regarding making the said change, at any time.

Explanatory notes

The temporary provision was established in order to conduct the process of refining existing accounts with the goal of minimizing cases in which surviving co-owners encounter difficulty in acting in the account after the death of the other co-owner.

Effective date

- 11. The amendment to this Directive, pursuant to this Circular, shall go into effect 12 months after its publication.
- 12. Contacting customers as noted in Section 14 of the Directive shall take place, at the latest, by 6 months from the date of publication of the Directive, and reasonable efforts are to be made to assist in completing the process vis-à-vis the customers by a year from the date of publication of the Directive.

File update

- 13. Following are the updates to the Proper Conduct of Banking Business file:

Remove pages	Insert pages
(12/95) [2] 434-1-2	(06/23) [3] 434-1-3

Respectfully,

Yair Avidan
Supervisor of Banks