



July 6, 2014

Circular Number C-06-2424

To:
The banking corporations and the credit card companies

Issue: Non-banking benefits to customers
(Proper Conduct of Banking Business Directives 403 and 470)

Introduction

1. Following consultations with the Advisory Committee on Banking Business, and with the approval of the Governor, I have set out this Directive.
2. In view of the large variety of benefits offered to customers by the banking corporations that currently exists, it is necessary to set out clear and uniform rules that will make it possible for customers to compare between the banking services and products offered to them, with the ability to distinguish between the value of the non-bank benefits and the value of the banking services, and with the objective of helping to strengthen competition in the banking system over the prices of banking services.

Main points of the Directive

3. The name of the directive has been revised to “Non-banking benefits to customers”.
4. Section 2 of the Directive sets out definitions of the main terms that appear in the Directive, including a distinction between a banking benefit and a non-banking benefit.
5. Section 3 of the Directive sets out rules restricting the granting of non-banking benefits to customers of the banking corporation.

5.1 In accordance with sub-Sections (b) and (c), the Directive permits the banking corporation:

- a. The granting of a non-banking benefit to a customer by reason of submitting a request to issue, possessing or using a credit/debit card.
- b. Cash payment by reason of opening a current account only.
- c. Granting an item of small value to a customer:
 - c.1 who opens a current account or who submits a request to obtain settlement services.
 - c.2 By reason of the regular use of the aforementioned services, should a certain event take place (holiday, birthday, start of the year).



The objective of the Section is to make it possible to grant a symbolic benefit for the purpose of marketing the banking corporation, such as: a pen, a diary, a calendar.

- d. Granting discounts or exemptions from payment for the advertising of non-banking benefits, to businesses who receive settlement services from the banking corporation.
- e. Granting non-banking benefits directly connected to the dissemination of financial information (such as conferences, study days and lectures). This refers to training activities and the dissemination of information, the objective of which is the improvement of financial conduct.

All other activity granting non-banking benefits will not be permitted.

5.2 Section 3(d) of the Directive sets out that a banking corporation that grants a non-banking benefit shall not make it conditional on association with the banking corporation for any period of time, on a demand to return the non-banking benefit that has been granted, or on the customer's agreement to receive advertising material from it.

Explanations

The objective of this Section is to prevent tying customers to the banking corporation as a result of receiving a non-banking benefit. The connection between the customers and the banking corporation must be based on the banking services they receive, and on their satisfaction with those services. Accordingly, a customer must be allowed to transfer his activity from on banking corporation to another in order to improve the banking terms offered to him, without any impediment created as a result of a non-banking benefit given to him.

5.3 Section 3(e) of the Directive relates to credit/debit cards that include revolving credit, as defined in the Section.

Explanations

The objective of this Section is to ensure that customers choose a revolving credit service due to their interest in the service itself, and not due to non-banking benefits that are offered to them as part of the process of marketing the product. It is therefore set out that the banking corporation shall not make the granting of benefits to its customers dependent on the actual provision or the use of this service. In this regard, it is clarified that "actual provision" means setting a fixed monthly charge amount.

5.4 Section 3(f) of the Directive deals with the obligation of proper disclosure to the customer on the part of the banking corporations as part of the advertising of non-banking benefits.



The Section sets out that, as part of its advertising, the banking corporation will clearly present material information in connection with the non-banking benefit. Should the banking corporation decide to display the price of a product or service offered to a customer following the non-bank benefit, it shall also display the price before the non-bank benefit as provided to it by the supplier.

The Section is intended to deal with cases of promotions in which the price of the product or service in the promotion is presented to the customer, while the value of the benefit included in the promotion is not displayed. For instance, presenting the rate of discount or monetary value of the discount or a description of the type of promotion (such as 1+1 free) is sufficient for meeting the requirements of the Directive. In contrast, presenting the promotion as being able to purchase a product for NIS 100 without presenting its price before the discount, or presenting the promotion as three for NIS 100 without presenting the price of the individual item, does not meet the requirements of the Directive.

In addition, the banking corporation shall publish the details of the non-bank benefit on its website.

5.5 Section 3(g) relates to the disclosure to the customer required of the issuer that enables the accumulation of rights to non-banking benefits. This Section, which appears as Section 13 of Proper Conduct of Banking Business Directive 470, was moved to this Directive. The Section relates to both the accumulation of rights such as points or stars, and to the accumulation of rights in any other way. There is no change in the requirement to make advance disclosure to the customer regarding the manner of accumulation, or in the requirement to notify the customer in writing two months in advance of any change in the manner of accumulation to the customer's disadvantage.

6. Section 4 of the Directive applies the Directive to non-banking benefits granted by the banking corporation to a customer, directly or indirectly, by way of a third party, or at the expense of a third party, or by way of the banking corporation's association with other business entities.
7. Sections 13–15 of Proper Conduct of Banking Business Directive 470, entitled "Points/ Stars" have been cancelled.
8. In the Appendix to Proper Conduct of Banking Business Directive 470, regarding "Debit Cards", a paragraph has been added: "Non-banking benefits to customers (403)."

Applicability

9. This Directive is applicable from January 1, 2015. Specific agreements with customers of the banking corporations that were reached prior to the amendment



coming into effect, and which include non-banking benefits that are dependent on any conditions, shall remain in effect until the date set out in them.

File update

10. The updated pages of the Proper Conduct of Banking Business file are attached. The following are the update instructions:

Remove page	403-1-2 (12/97) [4]
Insert page	403-1-3 (7/14) [5]
Remove page	470-1-7 [various versions]
Insert page	470-1-6 (7/14) [9]

Sincerely,

David Zaken
Supervisor of Banks