

Debits by Authorization

Introduction

1. Debits by Authorization are a method of making payments under which a beneficiary collects funds from the customer via banks. The customer's bank account is debited and the beneficiary's account is credited by force of a debit presented by the beneficiary based on an authorization given by the customer.
2. Payments made under this method involve the beneficiary, the customer, and their banks. Consequently, there needs to be a process which regulates the relations between the various sides.
3. This directive regulates the system of payments through debits by authorization, primarily as regards to preserving the rights of the customer (henceforth, the arrangement).
4. It is hereby clarified that this directive does not impose on the bank a responsibility to the customer with regards to a transaction between the beneficiary and the customer.

Application

- 4(a). The Supervisor may establish certain directives that differ from the provisions detailed herein, which will apply to a specific banking corporation, or may exempt, in anomalous cases, a specific banking corporation from a certain directive, when there are special reasons due to which the Supervisor saw fit to do so, and for grounds that will be listed.

Bank contact with beneficiary

5. (a) If a beneficiary contacted the bank for the purpose of the arrangement, the bank shall first examine the nature of the party making the request and the chances that he will be able to meet all the terms of the arrangement and the agreement between him and the bank.

- (b) The bank shall receive a letter of indemnity from the beneficiary in which the beneficiary undertakes to indemnify any customer or any bank for damage incurred because of a deficiency in the material submitted by the beneficiary. In circumstances in which the beneficiary is interested in the possibility of submitting a request to establish an authorization to debit an account on behalf of the beneficiary's customers, the banking corporation shall act vis-à-vis the beneficiary to ensure the propriety of the customer identification process and receive a copy of the customer's consent in writing.
- (c) (1) The bank shall receive from the beneficiary a commitment stating that if there are several debits for the same customer, the beneficiary will inform the customer what the amount and origin of each debit is, unless these details appear on the statement sent by the bank to the customer. The notice informing the customer shall be sent to him near the date on which his account is debited;
- (2) Notwithstanding the aforesaid in Section (1), if there are several debits for the same customer, the total of which is determined in the agreement with the customer, and the amount of the debit changes only as a result of the addition of indexation differentials, a detailed notice as aforesaid, sent at least once a year, will suffice. If, however, there is a change in the composition of the payment during the year, another detailed notice, as specified in Section (1), should be sent.

Submission of a request to set up a debit by authorization (9/14)

- 6a. (a) A bank shall permit a customer to submit a request to set up an account debit by authorization, either directly or via a beneficiary.
- (b) A bank shall permit a customer to submit a request to set up an account debit by authorization directly through any of the following means of communication: the banking corporation's website, fax, mail, banking corporation branch, or by any additional means of communication in accordance with the bank's decision (hereinafter, "means of communication").

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- (c) If a request to set up an account debit by authorization was submitted by a beneficiary, the debit authorization shall only be permitted if the request includes a copy of the customer's written consent to such authorization.
- (d) A request to set up a debit by authorization shall include the details listed in **Annex A** to this directive. The bank must bring to the customer's attention that he must receive from the beneficiary the details required to fill out the request.
- (e) The bank must provide the customer the possibility of verifying the beneficiary's identity by examining the details (that is, verifying that the institution's code and the institution's name match) when submitting a request to set up an account debit by authorization.
- (f) The bank must inform the customer, when the request to set up an account debit by authorization is submitted, of his right to give notice of the cancellation of a debit or cancellation of authorization in accordance with Sections 7 and 8, respectively, and how to cancel them.
- (g) When a bank receives a request to set up an account debit by authorization, the bank shall send a response to the beneficiary in writing. If the reply is positive, the bank shall note in its reply to the beneficiary that the authorization was set up in its systems, and shall detail the limitations existing in the authorization, in accordance with Annex A, to the extent that there are any. If the reply is negative, the bank shall inform the beneficiary of its answer, and shall also inform the customer of such, including the reason for the negative reply. The bank's reply, positive or negative, shall be sent within 5 business days of receiving the request.
- (h) The bank shall document the details of the authorization to debit the account, as noted in Annex A, the customer's consent, as well as negative replies given as stated in Subsection (g), including the reasons for the negative replies.
- (i) The bank shall permit the customer to receive at any time an updated "Report of authorizations to debit an account" (hereinafter, "the report"), which shall include the information noted in **Annex B** of this directive, using any means of communication as well as automated information booths in bank branches.

Request to change an account debited by authorization

6b. For a customer whose account in a given bank (henceforth, the old bank) is debited by authorization, and who wishes the debit to be implemented in an account at another bank (henceforth, the new bank), the following provisions shall apply:

Submission of a request by the customer to transfer debits

- (1) The new bank shall receive from the customer, via any of the means of communication, a request to transfer debits by authorization—all or part—in accordance with **Annex C** of the directive.
- (2) If the customer requested, within the framework of the request to transfer debits by authorization, that the new bank contact the old bank in order to receive the report from the old account, this contact shall be made within one business day from the date of submitting the request.
- (3) The old bank must respond to the contact from the new bank within one business day of the date of receiving the request.
- (4) In a case of a negative reply to the request to transfer debits by authorization—all or part—the new bank shall submit a written response to the customer, noting the reason for the negative reply, within five business days from the date of receiving the report.

Examining the details of the authorizations and setting them up

- (5) The new bank shall verify that the customer requesting to transfer the authorizations is authorized to do so, based on the account holder details and signature list appearing in the report generated from the customer's old account.
- (6) The new bank, after verifying that the customer is authorized to transfer the authorizations, shall set up the authorizations in its systems and submit the report, which shall be issued from the new account, to the customer. The new

bank must complete the setting up of the authorizations and sending the report to the customer within three business days from the date of receiving the report from the customer's old account.

- (7) If the new bank finds, based on the particulars appearing in the report issued from the customer's old account, that the customer is not authorized to transfer the authorizations, the new bank shall allow the customer to submit a request to set up a debit by authorization in the account pursuant to Section 6a.

Transferring information to the beneficiary

- (8) The new bank shall submit to the bank which—based on the details of the most recent debit that took place in the old account—is the bank representing the beneficiary to whom the customer provided an authorization to debit the account (hereinafter, the representing bank) within one business day from the date that the setting up of the authorization is completed, the particulars noted in Sections 1–5 of Annex C of the directive, as well as the relevant particulars of the authorization, as they appear in Section 4 of the report.
- (9) The representing bank shall transfer to the beneficiary the notice from the new bank, within one business day of the date of receiving it, so that it may continue to debit the customer's new account on an ongoing basis.
- (10) Notwithstanding the provisions of Subsections 8–9, the new bank may transfer to the beneficiary within one business day, the particulars noted in Subsection 8, directly and not via the representing bank.
- (11) If a debit from the beneficiary was not received in the customer's new account within 65 days from the date of the customer's request, the new bank shall notify the customer of such.

Cancellation of debit by customer

7. (a) The customer is entitled to cancel a specific debit by informing his bank in writing, provided the aforesaid notice is submitted to the bank no more than 3 business days

after the date of the debit. To the extent that the notice of cancellation is submitted after the date of the debit, the credit shall be made at the value of the date of submission of the cancellation notice.

- (b) The customer is entitled to demand that the bank cancel a debit if the debit was made in accordance with an authorization that was cancelled under Section 8;
- (c) A customer is entitled to demand from the bank, via written notice, to cancel a debit if the debit does not match the expiration date, or the amounts, determined in the authorization, if they were determined.
- (d) Cancellation of a debit as noted in Sections (a)–(c) means cancellation of the debit in whole, and not amending or correcting it.

Cancellation of authorization

- 8. (a) The customer is entitled to cancel his authorization at any time, by written notice.
- (b) The cancellation shall go into effect one business day after the notice has been given to the bank;
- (c) If the bank debited the customer's account despite the cancellation as stated in this section, in Section 7(b) or in Section 7(c), the bank shall refund the customer the amount debited at its value on the debit date;
- (d) An authorization that has not been used for a period of 24 months from the date of the last debit is cancelled.

Removal of customer from arrangement

- 9. A bank may remove a customer from the arrangement if it has a reasonable cause to do so and informs the customer as soon as the decision is made, noting the reason for doing so.

Returned debit

9a. If a debit is returned by the bank not at the instruction of the customer, the bank shall inform the customer that the debit has been returned as soon as it is done, noting the reason for this.

Identifying the debit in an account statement

10. The statement that a bank issues for the customer shall contain the amounts of the authorized debits or their return in such a way as to enable the customer to identify the beneficiary; this shall be done by noting the beneficiary's name.

Debits via debit cards

11. This directive shall not apply to authorizations to debit a debit card as defined in the Debit Cards Law, 5746–1986. With regard to an authorization provided by a customer to a credit card company to debit his bank account, all the sections of the directive apply, except for Section 1.4(b) of Annex A.

Revisions			
Circular 06 number	Version	Details	Date
148/16		Original circular	June 16, 1991
----	1	Integration into Proper Conduct of Banking Business Directives	August 1991
----	2	Updated version of Proper Conduct of Banking Business Directives file	December 1995
1860	3	Revision	March 31, 1997
1978	4	Revision	July 8, 1999
1991	5	Revision	January 13, 2000
2428	6	Revision	September 1, 2014
2640	7	Revision	December 30, 2020

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Annex A

Request to set up an authorization to debit an account—as per Section 6a(d)

1.	A request submitted directly by the customer, to set up an authorization to debit an account, shall include the following particulars:		
1.1	Date of request		
1.2	Beneficiary details	Institution code	
		Institution name	
1.3	Customer reference/identification number (if such exists) at beneficiary		
1.4	<p>When submitting a request, the customer shall have two options:</p> <p>(a) Setting up a general authorization, which is unrestricted</p> <p>(b) Setting up an authorization with at least one of the following restrictions:</p> <p>Maximum amount to debit</p> <p>Expiration date for authorization</p> <p>The bank shall explicitly clarify to the customer that if debits which do not meet said restrictions set by the customer are sent by the beneficiary, they will be returned by the bank, with all the implications of such action.</p>		
2.	A request submitted by the beneficiary, to set up an account debit by authorization, shall include the following particulars in addition to those noted above:		
2.1	Particulars of customer's bank account: account numbers, branch, bank		
2.2	Name of customer(s)		
2.3	ID numbers		
2.4	Copy of customer's written consent to the request to set up an authorization to debit the account shall be submitted by the beneficiary		

Annex B

Report of authorizations to debit account—as per Section 6a(i)

1.

Date report is generated	
Account number	
Branch number	
Bank number	

2. Account holders:

Name	ID number/Passport number/Private company number

3. Signature list

Joint/Joint and separate

4. List of existing authorizations in account:

Beneficiary details						Details of most recent debit in account		
Institution code	Institution name	ID number listed with beneficiary	Beginning date of authorization	Maximum debit amount*	Expiration date of authorization*	Date of most recent debit	Amount of most recent debit	Details of representing bank**

* These columns are only to be filled in if customer opted for an authorization including these limitations.

** Representing bank: The bank which—based on the details of most recent debit in the customer’s account—is the bank representing the beneficiary to whom the customer issued the authorization to debit the account.

Annex C

Request to transfer debits by authorization—as per Section 6b(1)

A request to transfer debits by authorization shall include the following particulars:		
1.	Date of request	
2.	Details of new account (account numbers, branch, and bank)	
3.	Identity numbers of each account holder in new account*	
4.	Details of account at old bank (account numbers, branch, and bank)	
5.	Customer consent to transfer said information to representing bank and/or to beneficiaries and/or to old bank	
6.	Clarification noting that the customer is to attach the “Report of authorizations to debit account” from the old account (the report includes the list of the currently existing authorizations to debit the account in the old account, and their particulars), in order to complete carrying out the actual transfer. Therefore, the customer will be asked to choose one of the following two options: a) Having the new bank contact the old bank in order to receive the report (the bank is to note that the report will be received within three business days) b) Submission of the report by the customer	

* In this matter, “Identity number”—as it is defined in the Prohibition on Money Laundering (the Banking Corporations’ Requirements regarding Identification, Reporting and Record-keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 5761–2001.

Note: When a customer requests to transfer only some of the authorizations from the old account, the request should also include the details of the authorizations that the customer wishes to transfer.