



November 15, 2020
Circular Number C-06-2632

Attn:
Banking Corporations

Re: Dormant Deposits and Deceased Persons' Accounts

(Proper Conduct of Banking Business Directive no. 443)

Introduction

1. The Banking Ordinance, 1941, defines a “dormant deposit” as “a deposit, in either Israel currency or foreign currency, for which ten months have passed from the day on which the most recent instruction from the deposit holder has been received.” The Ordinance also establishes the duty of a banking corporation to attempt to establish contact with the owner of a dormant deposit close to the date on which the deposit matures.

Deposits may become dormant as a result, *inter alia*, of the depositor forgetting about his or her deposits or due to his or her death. Given the importance of returning funds in dormant deposits to their owners, and given the risks to banking corporations of holding unclaimed money, the tracing requirements that banking corporations must satisfy have been expanded and a hierarchy of requisite tracing actions, commensurate with the circumstances of the matter, has been set forth.

Also, provisions have been specified pertaining to reporting to the Administrator General that apply to banking corporations by law, and provisions relating to the interface of banking corporations and the Administrator General have been determined in consultation with the Administrator General. In addition, guidelines have been set forth in regard to safe deposit boxes for which contact with the renters has been lost, and in reference to deceased persons' accounts. After consulting with the Advisory Committee on Banking Business Affairs and with the approval of the Governor, I have established this Directive.

Main provisions of the Directive

2. In Section 2 of the Directive, it is stated that a dormant deposit shall be as defined in the Banking Ordinance, 1941.

Explanatory remarks

The Banking Ordinance refers to “the most recent instruction of the deposit holder.” For this purpose, it is stated for clarity that:



-
- (a) In cases where, even if the banking corporation has made a reasonable effort, it is impossible to determine with certainty who gave the most recent instruction in regard to the deposit, the instruction shall be deemed as having been given by the holder of the deposit.
 - (b) An instruction from the holder of the deposit as to automatic renewal of the term of the deposit, without his or her involvement, shall not be considered, on the date of the automatic renewal, “the most recent instruction of the deposit holder.”
 - (c) In regard to checks and notes withdrawn by a third party at the customer’s order and their future date of maturity, which were deposited with the banking corporation in custody by the customer, the act of depositing shall be considered as an “instruction of the customer.”

Explanatory remarks

- 3. Sections 4–6 of the Directive deal with the compulsory designation of an organizational function for the handling of dormant deposits, its roles and its powers, and with the responsibility of the management and the Board of Directors of the banking corporation for its work.

Explanatory remarks

The Directive requires banking corporations to designate an organizational function for the handling of dormant deposits. Said function shall be given various powers in order to assure adequate handling of the matter by the banking corporation. It is stated for clarity that a dedicated function for this matter is not required; instead, this area of responsibility may be added to an existing function at the banking corporation.

The Directive also lays down the duties of senior management and the Board of Directors so that they shall be aware of and involved in the banking corporation’s conduct in this matter.

- 4. Section 7 of the Directive specifies the tracing requirements that a banking corporation must meet close to the date on which the deposit matures. Insofar as the banking corporation fails to establish contact with the holder of a dormant deposit in accordance with the methods specified in said Section, it must repeat the tracing actions at the times specified in said Section, and additional tracing requirements are set forth at the end of five years from the date of deposit maturation and close to the time of reporting to the Administrator General.

Explanatory remarks

The Directive specifies various tracing methods that the banking corporation must invoke in order to establish contact with the holder of a dormant deposit, both by using information available in the bank’s records and by turning to the Population Registry, as the case may be. For this purpose, it is stated for clarity that the contact details for the purpose of contacting the customer include the



telephone number that the customer provided and a postal address or email address recorded in the account.

It is also stated that shortly before the dormant deposit matures, the banking corporation shall check whether the customer has engaged in activity in one of its banking products or services managed under the same account number in the past ten months. Insofar as such activity is detected, it shall be considered as the establishment of contact with the deposit holder.

At the end of five years from the maturation date, additional tracing requirements are set forth in regard to a dormant deposit in a sum that exceeds NIS 100,000, including a review of documents and a review of historical information such as an original account number, checking of numbers that are successive and consecutive to the original account number, and checking of information retained in various ways, e.g., historical transparency, microfiche, etc.

For the purpose of this Section, it is stated that shall be considered “activity” giving an instruction by the deposit holder in regard to products or services that are managed under the same account number, or receipt of information by the deposit holder in reference to these products or services, provided the banking corporation can determine, in reasonable ways, that the deposit holder actually received said information. This definition is based on technological progress that allows a banking corporation to determine, in certain cases, that a customer received information about the account, establishing the presumption that his or her refraining from giving an instruction about the deposit is deliberate. The same applies to a customer who gave an instruction in regard to some other product or service managed under the same account number: here there is a presumption of awareness of the totality of products or services that exist in his or her account, and presumably here, too, the customer’s refraining from giving an instruction in regard to the deposit is deliberate. In these cases, the need to act to trace the customer or to invest his or her money is obviated. Below are explanatory remarks about the various dates on which contact shall be made, sorted by types of accounts:

Current (demand) account

The requirement of attempting to establish contact with the deposit holder shall apply close to the date on which the deposit becomes dormant, i.e., at the end of ten months from the date on which the last instruction from the deposit holder is received.

Time deposit

The requirement of attempting to establish contact with the deposit holder shall apply close to the maturity date of the deposit. In regard to a self-renewing time deposit, the maturity date shall be at the end of the term. Insofar as the self-renewing deposit is not time-limited, such that no maturation date on which it will no longer be renewed has been set for it, the maturation date shall be considered the first renewal date, provided ten months have passed from the time the deposit was created.

Savings plan

The date on which contact is established shall apply close to the end of the savings term in its entirety.



Securities

The requirement of attempting to establish contact shall apply close to the date on which any funds are received on account of the securities, including payments of principal, interest, and dividends, provided ten months have passed from the day on which the customer's most recent instruction was given.

5. In Section 8 of the Directive, provisions pertaining to reporting to the Administrator General that apply to banking corporations by law are presented.

Explanatory remarks

Compliance with the provisions of law in regard to compulsory reporting to the Administrator General, and sharing of information and documents in the possession of the banking corporation that pertain to a deposit account for which the Administrator General wishes to receive information, and to the deposit holder, shall be undertaken in accordance with guidelines from the Administrator General, including those issued in an online method including by means of online interface, insofar as this is the guideline. These provisions are noted in order to give a complete picture and not to impose new requirements on the banking corporations in this context.

6. In Section 9 of the Directive, the tracing requirements that apply to banking corporations close to the date of reporting of the dormant deposit to the Administrator General are specified.

Explanatory remarks

Close to the date on which a dormant deposit is reported to the Administrator General, a banking corporation must repeat the tracing operations specified in Section 7 of the Directive and must also satisfy additional tracing requirements in order to exhaust all attempts to establish contact with the customer at this time on the basis of the tools available to the banking corporation.

7. In Section 10 of the Directive, a minimum sum for the expanded requirements of tracing the holder of the dormant deposit is determined.

Explanatory remarks

It is stated that the expanded tracing requirement shall not apply to a dormant deposit in a sum smaller than NIS 5,000 or its equivalent in foreign currency. In the case of a dormant deposit smaller than said sum, the banking corporation shall establish contact with its owner by means of the deposit holder's contact details as are recorded in the account but may take additional tracing actions as specified in the Directive even for a deposit smaller than said sum, including turning to the Population Registry. The provisions of this Section are set forth in order to strike a balance between the resources



needed to trace the deposit holder and the fact that customers today can trace dormant deposits and deceased persons' accounts at no cost via online platforms ("Money Mountain 2").

8) Sections 11–13 of the Directive deal with various interfaces between banking corporations and the Administrator General.

Explanatory remarks

These sections relate to cases in which contact is established with the holder of the dormant deposit after a report has been sent to the Administrator General or after the funds have been transferred to the Administrator's management; they lay down provisions in regard to these cases.

9) Sections 14–16 of the Directive deal with deceased persons' accounts.

Explanatory remarks

These sections relate to deceased persons accounts even if they have not yet been defined as dormant deposits. Given the importance to the banking corporation of obtaining information about account holders' death, it is stated that a banking corporation shall take action to obtain from the Population Registry documentation about the death of account holders at the frequency of at least once a month. An additional provision concerns the sending of notice to the address of a deceased account holder and the content of said notice.

In relation to a dormant deposit that belongs to a deceased owner, a banking corporation must attempt to contact the heirs of the deposit holder in the manner, and on the dates, specified in the Directive.

10) Sections 17–19 deal with cases in which contact with renters of safe-deposit boxes is lost.

Explanatory remarks

The requirement of establishing contact with the renter of a safe-deposit box is set at five years after the renter's last activity with the box or with an account linked to it. The manner of establishing contact in this case is as the banking corporation shall determine. Furthermore, sections of Proper Conduct of Banking Business Directive 413 are inserted into this Directive, *mutatis mutandis*, in order to concentrate all matters associated with the issue in one directive. The words "or his representative" are deleted from the sections that are copied over from Directive 413 in order to avoid a negative arrangement relative to the other sections of the Directive. It is stated for clarity that this deletion shall not derogate from the principle that equates establishing contact with a customer's representative, agent, or lawful surrogate with establishing contact with the customer.

11) In Section 20 of the Directive, documentation and document-retention requirements are set forth.



Explanatory remarks

A banking corporation must document the actions that it takes to trace the owner of a dormant deposit, the renter of a safe deposit box with whom contact has been lost, and the legal heirs of a deceased account holder. A banking corporation shall also retain the information and documents pertaining thereto for the purpose, *inter alia*, of sharing this information with the Administrator General at the Administrator’s request.

Application

12) This Directive shall go into effect on the day on which it is promulgated.

Indirect amendments

13) Proper Conduct of Banking Business Directive 413 is nullified as of the date on which this Directive goes into effect.

14) This Circular updates “Investment of Dormant Deposits”—Explanatory Remarks.

File update

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

Remove page

.....

Insert page

443- 1-6 [1] (11/20)

Sincerely,

A handwritten signature in black ink, appearing to be "Yair Avidan".

Yair Avidan
Supervisor of Banks