



July 11, 2016

Circular Number C-06-2503

To:

The banking corporations and credit card companies

Issue: Non-banking benefits to customers
(Proper Conduct of Banking Business Directive no. 403)

Introduction

1. The amendment to the Directive is intended to expand the possibilities open to the banking corporations to grant non-banking benefits to their customers during the customer's on-going activity in the account. For instance, the amendment makes it possible for the banking corporations to grant non-banking benefits through the accumulation of points by way of managing the account through customer-executed or digital means, the use of a debit card, or any other activity in the account that the banking corporation is interested in encouraging.
Permitting the banking corporations to grant non-banking benefits during the current management of an account, as common in banking corporations around the world, will enable them to improve the customer's experience in connection with the bank, to promote digital banking, and to encourage proper conduct in the account, while at the same time continuing to allow customers to compare between the banking products offered to them and to distinguish between the value of the non-banking benefits and the value of banking products, without restrictive conditions being stipulated for the granting of non-banking benefits.
2. In view of the foregoing, and following consultation with the Advisory Committee on Banking Business, and with the approval of the Governor, I have amended this Directive.

The amendments to the Directive

3. Section 2—In the definition of “non-banking benefit”, the words “or that is promised to be given” have been added following the words “including in connection with a service or product, that is given”.
4. Section 3(a)—The words “and management” following the words “non-banking benefit to a customer by reason of opening” have been deleted; the words “by reason of providing of other banking services” have been replaced by the words “when selling other banking products” and the words “settlement and discounting” at the end of the paragraph have been deleted.



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5. Section 3(b)—Sections (1) and (2) were combined and rewritten. Sections (3) and (4) were deleted.
 6. Section 3(c)—The section was split into three sub-Sections. In sub-Section (2), the words “The customer’s current activity in the current account, including joining and using online banking services” were added. In sub-Section (3), the words, “Opening and managing a settlement and deduction account” were added.

Explanation

The revision of the Directive is intended to remove the barrier imposed in the previous text of the Directive on the granting of non-banking benefits due to a customer’s on-going activity in the current account and on the granting of non-banking benefits due to the opening and management of a settlement and deduction account. It is emphasized that Section 3(d) of the Directive prohibits a banking corporation from setting, as a condition for the customer to receive non-banking benefits, any of the conditions enumerated in this Section, including a customer’s commitment to a certain period of association or a commitment on his part to return the benefit in certain cases. This is in order to prevent a situation in which non-banking benefits become a barrier for transitioning from one bank to another. The prohibition on the granting of non-banking benefits when selling banking products remains in place, with the aim of maintaining the simplicity of the banking products and enabling the customer to compare prices.

Effective Date

7. The amendment to the Directive pursuant to this Circular shall apply from the date of its publication.

File update

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

Remove page:

403-1-3 (7/14) [5]

Insert page:

403-1-3 (7/16) [6]

Sincerely,

Dr. Hedva Ber
Supervisor of Banks