



June 23, 2020

Circular Number C-06-2623

To:

The banking corporations

Issue: Transferring Activity and Closing a Customer's Account
(Proper Conduct of Banking Business Directive no. 432)

Introduction

1. In order to make it easier for customers to transfer a securities portfolio to another financial entity, and with the intention of simplifying the process through using the new technological means that are available to the banking corporations, it was established that a banking corporation shall enable a customer to submit a request to transfer a securities portfolio without requiring the customer to arrive at the bank's branch.
2. After consulting with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, I have amended this Directive.

The main updates to the directive

3. Section 3a was added to the Directive, clarifying that the Directive also regulates the transfer of a securities portfolio to another financial entity.
4. Section 8a was added to the Directive, clarifying that the banking corporation is to enable a customer to submit, online, a request to transfer a securities portfolio to another financial entity, without requiring the customer to arrive at the bank's branch. The Section also establishes that submitting a request online includes submitting online the documents required to examine the request.

In addition, it was established that a banking corporation shall not unreasonably refuse a customer's request to transfer a securities portfolio to another financial entity. If the banking corporation decides not to transfer the securities portfolio, it shall notify the customer of that as soon as possible and shall detail in the notice the reasons for the refusal, and the bank is to act to receive updated instructions from the customer.

Explanation

The goal of the update to the Directive is to enlist the banking corporation's technological abilities in improving the process of submitting a request to transfer a securities portfolio, for the benefit of the customers. To that end, it was determined that



submitting a request by the customer shall be possible via online means, including the submission of documentation required for examining the request.

However, in the absence of direct contact with the customer, some balance is required in order to deal with cases in which the banking corporation has difficulty acting in accordance with the customer's instructions or in which carrying out the request is liable to cause harm to the customer. Therefore, the possibility of reasonable refusal was established in the section. In such cases, it was determined that the banking corporation is to contact the customer as soon as possible in order to notify the customer of the reasons why the portfolio transfer cannot be carried out and to instruct the customer how to act. Examples of such a case include: when based on the data submitted by the customer in the request, the banking corporation identifies a potential tax event, or when there is a need to complete documents for examining compliance with income tax regulations; a case where the securities portfolio serves as a collateral for credit; and situations in which the portfolio has types of securities that cannot be transferred.

It shall be clarified that no change has been made in the periods of time within which the banking corporation is to transfer the customer's securities portfolio, as had been detailed in the Directive's Section 13, which was deleted, and they were integrated into this section.

5. Section 13 of the Directive was deleted, as its contents were integrated into Section 8a.

Effective date

6. This amendment shall go into effect 6 months after its publication.

Update of file

7. Attached please find update pages to the Proper Conduct of Banking Business Directive file. Following are the update pages:

Remove page

(11/18) [9] 432-1-7

Insert page

(6/20) [10] 432-1-7

Sincerely,
Yair Avidan
Supervisor of Banks