



December 16, 2019

Circular Number C-06-2597

Attn:

Banking Corporations

Switching Banks Online

(Proper Conduct of Banking Business Directive no. 448)

Introduction

1. In recent years, the Banking Supervision Department has been acting to stimulate competition in the banking system and encourage the banks to be more innovative and efficient for their customers' benefit. As part of this effort, the Department has been promoting several projects and structural changes in the banking market, including a project involving online switching of banks ("switching banks at a click").

Simplifying the process of switching banks without compromising customers' rights and the continuity of their financial activity will make it easier for customers to switch banks; it will also stimulate competition, strengthen customers' power, and improve customer service. The purpose of the project is to enable customers who wish to transfer their financial activity to another bank to do so by means of a handy, efficient, and reliable technological system that has specific clear stages and timetables for successful completion of the response.

This project is central in the process of implementing Amendment 27 of the Banking (Service to Customer) Law, 5741-1981 (hereinafter: "the Law"). In the amendment, Section 5b1 was added to the Law, determining that banks must allow customers who wish to switch banks to do so online, conveniently, reliably, safely, and at no cost to them.

Within the framework of the amendment, the Governor of the Bank of Israel is empowered to lay down rules for the types of financial activity to which this undertaking shall apply, and the Governor, with the consent of the Minister of Finance, is authorized to establish rules for the types of bank accounts for which said requirement shall apply to the financial activity that takes place in them. The Law also empowers the Supervisor of Banks to issue directives to banking corporations for said performance.

This Directive spells out the rules that banks must apply in handling a customer's request to switch banks online, including the due disclosure to which customers are entitled throughout the switching process and the consent that customers must provide in order to complete the process, the stages that the original bank and the bank to which the customer wishes to switch must carry out as the switch is made, the banking services and financial products that shall be transferred



and routed as the customer's financial activity is switched to another bank, and rules for maintaining continuity of the customer's financial activity during the switch.

2. After consulting with the Advisory Committee on Banking Business Affairs and with the approval of the Governor, I have established this Directive.

Date of effect

3. The Directive shall go into effect on the day Section 5b1 of the Law becomes effective.
4. Section 41 of the Directive shall go into effect subject to the completion of required complementary legislation.

File update

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

Remove page

Insert page

448-1-13 [1] (12/19)

Respectfully,

ד"ר חדבה בר

Dr. Hedva Ber
Supervisor of Banks