



May 26, 2014

Circular Number C-2423

To:

The banking corporations

Issue: Opening and managing a current account
(Proper Conduct of Banking Business Directive 422)

Introduction

1. Section 2(a)(2) of the Banking (Service to the Customer) Law, 5741–1981 (hereinafter—the Law) sets out that a banking corporation shall not refuse, for reasons that are not reasonable, to provide certain services to a customer when opening and managing a current account with no credit facility (hereinafter—account). This Directive is intended to clarify the services that constitute an integral part of account management, and the instances in which the claim of “reasonable refusal” will not be accepted for refusing opening an account. It is clarified that this Directive shall not derogate from the banking corporation’s duties pursuant to any law, including pursuant to Section 2 of the Law, or obligate a banking corporation to provide a service that is not in accordance with the terms of its license or that is contrary to the business policy as stated in Section 2(d) of the Law.
2. Following consultations with the Advisory Committee on Banking Issues, and with the approval of the Governor, I have set out this Directive.

Main points of the Directive

3. Section 4 of the Directive sets out definitions of the main terms that appear in the Directive.

Explanations

In the definition of “customer”, the word “individual” refers to someone who is not a corporation or who is not a public institution or who is not a corporation established through foreign legislation or who is not a recognized entity.

4. Section 5 of the Directive presents a number of cases in which the “reasonable refusal” argument will not be accepted in refusing to open a customer account.

Explanations

The cases outlined in Section 5 of the Directive are not, in and of themselves, a reasonable cause for not opening an account with no credit facility for a customer. It is clarified that this list is not a complete list.

In other cases, the banking corporation must assess each request to open and manage an account with no credit facility on its own merits and decide in accordance with the specific circumstances of each individual case.

5. Section 6 of the Directive deals with the assessment of a customer's request to open an account.

Explanations

Section 6 relates to a situation in which a customer requests to open an account at a banking corporation, but the decision on the request is not immediately transmitted to him at the time the request is submitted. In order for the customer to have a record of the request's submission, the Directive sets out that the banking corporation must transmit a confirmation of the submission, including details of the documents the banking corporation requires in order to reach a decision, should any documents be needed.

6. Section 7 of the Directive deals with the banking corporation's decision on a customer's request to open an account.

Explanations

Since a refusal to open an account for a customer is unusual, the banking corporation refusing to open an account at the time the request is submitted is required to provide the customer with its decision in writing. In that way, the customer will have a record of the submission of the request and the banking corporation's refusal. Furthermore, in order to prevent a situation of prolonged uncertainty, the Directive sets out that the banking corporation must provide the customer with a response to the request within 5 business days of the date of submission or from the date of receiving the documents the banking corporation requires in writing, the later of the two.

The customer signing agreement to open and manage a current account with the banking corporation within the 5 business days set out in sub-Section (a) nullifies the requirement to provide the decision to the customer in writing.

7. Section 8 of the Directive sets out the means of payment that a banking corporation must make available to its customers interested in them.

Explanations

The means of payment listed in Section 8 are an integral part of the management of a current account with no credit facility. The use of an immediate debit card encourages proper management on the part of the customer, since this card, which is an alternative to cash, enables the customer to regularly keep track of his expenses and to manage them within a budget and without exceptions.

In view of the foregoing, a banking corporation shall not unreasonably refuse to enable a customer to make payments through authorized debits or through a bank card for making transactions with immediate charge. Furthermore, a banking corporation shall not unreasonably refuse a customer's request to obtain a card intended for cash withdrawals at ATM machines.

It is clarified that, in accordance with the law, a banking corporation is not required to provide credit to a customer and is not required to enable him to operate through checks that are not bank checks.

8. Section 9 of the Directive sets out that a banking corporation must subscribe its customers to electronic data retrieval services, and must provide its customers with access to information on their account through the banking corporation's website subject to Directive 420 "Electronic transfer of information".

Explanations

That stated in Section 9 is intended to encourage the customer's access to information regarding his account, through electronic means, and where necessary, beyond the branch's hours of operation. The use of this service, which is an integral part of managing a current account, will enable the customer to control his account independently and to obtain information on his account more efficiently.

9. Section 10 of the Directive sets out the following:
 - (a) A banking corporation shall provide a customer wishing to open an account with an explanatory page including the list of services that are mentioned in Sections 8 and 9 of the Directive, that are available to the customer managing an Israeli currency account with no credit facility.
 - (b) A banking corporation shall publish on its website the list of services available to its customers.

Explanations

This Section is intended to reinforce awareness on the part of the banking corporation's customers of their rights.

Cancellation

10. This circular cancels Circular number 06-C-2052 of December 25, 2001.

Applicability

11. Sections 5 and 9 of the Directive will come into force on the date the Directive is published.
12. Section 8(b) of the Directive will come into force on January 1, 2015.
13. The other Sections of the Directive will come into force on September 1, 2014.

File update

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

Remove page -----
Insert page (05/14) [1] 422-1-3

Sincerely,

David Zaken
Supervisor of Banks

Directive 422 – Opening and managing a current account with no credit facility

Introduction

1. A current account is an essential account, through which a customer manages most of his financial activity. For this reason, Section 2(a)(2) of the Banking (Service to the Customer) Law, 5741–1981 (hereinafter—the Law) sets out, among other things, that a banking corporation must enable each customer to open and manage a current account with no credit facility, provided that there is no reasonable cause for not providing the service (hereinafter—“reasonable refusal”).
2. This Directive comes to clarify the instances in which the claim of “reasonable refusal” will not be accepted for refusing opening a current account with no credit facility. In addition, the Directive clarifies the duties imposed on the banking corporation in managing a current account with no credit facility, subject to the customer meeting the terms of the agreement between him and the banking corporation, as required by law.
3. In order to remove doubt, it is clarified that this Directive shall not derogate from the banking corporation’s duties pursuant to any law, including pursuant to Section 2 of the Law, or obligate a banking corporation to provide a service that is not in accordance with the terms of its license or that is contrary to the business policy as stated in Section 2(d) of the Law.

Definitions

4. In this Directive—
“**Bankruptcy proceedings**”—Proceedings conducted by the power of the Bankruptcy Ordinance [New Version], 5740–1980, in its various stages, including the issuing of an order of receivership, declaration of bankruptcy, and the issuing of a discharge order.
“**Account**”—A current account in Israeli currency with a positive balance toward the customer.
“**Customer**”—An individual, as determined in the Prohibition of Money Laundering (Obligation of Identification, Reporting and Management of Records of a Banking Corporation to Prevent Money Laundering and the Financing of Terrorism) Order, 5761–2001, who is an Israeli resident, who receives or requests to receive service from a banking corporation.
“**Resident**”—As defined in the Population Registry Law, 5725–1965.

Unreasonable refusal

5. (a) A banking corporation shall not refuse to open an account for customer solely on the grounds that the customer is one or more of the following:
 - (1) A restricted customer, or a customer restricted under aggravated circumstances, or a customer restricted under special

circumstances, as defined in the Checks Without Cover Law, 5741–1981, including a customer as stated who was restricted in the past pursuant to the provisions of that law.

- (2) A customer in bankruptcy proceedings, including a customer who was in bankruptcy proceedings in the past.
- (3) A customer whose accounts have been placed under lien.
- (4) A customer who conducts, or has in the past conducted, legal proceedings vis-a-vis another bank, arising from the collection of a debt.

(b) Notwithstanding that stated in sub-Section (a), should the customer be in bankruptcy proceedings, and his debts not yet be discharged, the banking corporation is permitted to condition the opening of the account, or its management in accordance with Section 8 of this Directive, on obtaining prior approval from the trustee or the Special Manager.

(c) That stated in sub-Section (a) shall not apply regarding a customer who wishes to open an account for another person, by the power of law, appointment or agreement.

Assessing the request to open an account

6. A banking corporation that does not provide the customer with its decision on the request to open an account at the time the request is submitted, shall provide a written confirmation to the customer at that time, which shall include the following details.
 - (a) The customer's name;
 - (b) The name of the bank and the branch number where the request to open an account was submitted;
 - (c) The date the request was submitted;
 - (d) Details of the documents that the customer must issue for the purpose of assessing his request to open an account, insofar as the request is dependent on the issuing of any documents.

Decision on the request to open an account

7. (a) A banking corporation shall issue its decision on the request to the customer in writing, within 5 business days of the date the request was submitted, or from the date of receipt of the documents pursuant to Section 6(d), the later of the two.
 - (b) That stated in sub-Section (a) shall not apply in a case where the customer has signed an agreement to open and manage a current account with the banking corporation within the period set out in sub-Section (a).

Account management

8. Means of payment—

A banking corporation shall not unreasonably refuse a customer's request to manage his account with the following means:

- (a) Making payments through authorized debits.
- (b) Obtaining a bank card, as defined in the Debit Cards Law, 5746–1986, through which the customer's account at the banking institution is debited immediately.
- (c) Obtaining a bank card, as defined in the Debit Cards Law, 5746–1986, for cash withdrawals.

9. Data retrieval and control—

A banking corporation shall act as follows:

- (a) It shall subscribe its customers to the data retrieval service through the ATM stations, as required in Proper Conduct of Banking Business Directive 441 (Data retrieval by customers).
- (b) It shall not refuse a customer's request to obtain access to information regarding the account through the banking corporation's website, subject to Proper Conduct of Banking Business Directive 420 (Electronic transfer of information).

10. Explanation to the customer—

- (a) A banking corporation shall provide a customer wishing to open an account with an explanatory page including the list of services that appears in Sections 8 and 9 above, that are available to the customer for the purpose of managing the account, including clarifications regarding each of them.
- (b) A banking corporation shall publish the list of services available to its customers in accordance with this Directive on its website.

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Updates

Circular 06 number	Version	Details	Date
2423	1	Original Directive	May 26, 2014