



July 10, 2018

Circular no. C-06-2566

Attn:

Banking corporations and credit-card companies

Re: Simplification of Customer Agreements
(Proper Conduct of Banking Business Directive no. 449)

Introduction

1. Given the length and complex legal wording of banking agreements, customers often find these documents hard to understand and have difficulty in negotiating their details. Consequently, they are oblivious to material terms of the banking services that they want and struggle to compare products that they are offered.

Thus, it is necessary to simplify banking agreements. In the first stage of this endeavor, the Banking Supervision Department focused on the credit agreement because it is common, lengthy, and complex. The need to simplify it is also consistent with Section 3(d) of the Fair Lending Law, 5753-1993 (hereinafter—the Fair Lending Law).

In the Directive, it is stated that banking corporations must provide customers, on Page 1 of the credit agreement, with a condensed and concise presentation of the varying and material details and terms that pertain to the specific contractual relationship. Additional details, if any, and additional relevant terms for the service will be found in the agreement proper, which shall be made available for the customer's perusal in accordance with the Banking Rules (Customer Service) (Proper Disclosure and Presentation of Documents) 5752-1992 (hereinafter—the Proper Disclosure Rules) and the Fair Lending Law.

It is stated for clarity that said Page 1, which is an integral part of the agreement, does not necessarily provide a full accounting of the details that a banking corporation must include in its various agreements by law, including the Proper Disclosure Rules and the Fair Lending Law. Therefore, it does not absolve the customer of the need to review the agreement in all its sections.

2. In view of the foregoing, and after consulting with the Advisory Committee on matters related to banking transactions and obtaining the approval of the Governor, I hereby establish this Proper Conduct of Banking Business Directive.

Main Provisions of the Directive

3. In Section 6 of the Directive, it is stated that a banking corporation shall present the customer, on Page 1 of a credit agreement, with the varying and material details and terms for the issue of the credit in question.

Explanatory remarks

To create a focused and concise document that uses a standard structure and wording, allowing customers to understand and familiarize themselves with the terms of credit and compare different credit products that they are offered, the appendices provide standard forms for the disclosure of particulars and the varying and material terms of the credit agreement. Said forms shall be tailored to the various credit products that the banking corporation offers.

4. In Section 7 of the Directive, it is stated that if credit is issued on a date other than that of the execution of the agreement, mere presentation of the particulars will not be sufficient. Instead, the customer must be presented with Page 1 in its full and final version. The purpose of this requirement is to give the customer a complete picture of the credit that s/he has taken.
5. Sections 8–19 give instructions for filling out the forms in the appendices.

Explanatory remarks

The purpose of these sections is to give banking corporations clear instructions on how to fill out the forms.

- Section 8—here banking corporations are instructed to present, on Page 1 of the agreement, only the loan or the facility for which the customer has applied. The purpose is to prevent the inclusion of details, on Page 1 of the agreement, of other products that the banking corporation offers, in which the customer is not interested when the agreement is being executed.
- Section 10—the purpose of this section is to provide for a focused, clear, and customer-friendly presentation in cases where a loan is issued in several portions or where credit is extended through several facilities. For this purpose, it is stated for clarity that there is no need to present information shared by all segments, such as the borrower's name, as part of the information that shall be presented for each portion or facility separately. It is also explained that the information about the effective cost and the delinquency interest rate of the credit shall be presented, in such a case, on successive lines or in successive columns of the table that appears at the end of the appendix. The maximum rate of credit cost and the maximum delinquency interest rate shall be shown on a consolidated basis for all portions, provided there is no difference among them.
- Section 17—This section explains how to fill in Appendix 2 in the event that a credit facility may be used in several ways. The purpose is to enable the customer to compare the terms for these uses of the facility. An example follows:

Type of credit facility	Account facility / credit-card facility / other	
Sum and currency of credit facility	NIS XXXX	
Facility valid until (date)	XX/XX/XXXX	
Date of creation of credit facility	XX/XX/XXXX	
Interest and indexation		

Fixed interest		
Nominal interest rate on credit facility— annualized	For ordinary transactions—0%	
Floating interest	For credit transactions—X%	

Date of Effect

6. This Directive shall go into effect on May 9, 2019. Banking corporations are allowed to act in accordance with this Directive at an earlier date than that specified.

Revised file

7. Update pages for the Proper Conduct of Banking Business Directive file are attached. Following are the provisions of the update:

Remove page	Insert page
.....	(7/18) [1] 1-7

Respectfully,

Dr. Hedva Ber

Supervisor of Banks