REGULATORY DIRECTIVES IN BANK-CUSTOMER RELATIONS 2014

January 2015

INTRODUCTION

The main function of the Banking Supervision Department is to protect the public good, both through maintaining the stability of the banking system and through strengthening fairness in relations between the banks and their customers and providing a firm foundation for public trust in the banking system.

In March 2013, an interministerial team under my leadership completed assessing the measures necessary to increase competition in the banking system. As part of this assessment, we found an absence of a competitive threat to the banks' retail activity sectors—households and small businesses—from outside the banking system. As such, and in view of the characteristics of the banking industry, there is a concern that the extent of competitiveness in these sectors is low.

In view of these findings, the Banking Supervision Department—through the Regulation Unit in the Bank-Customer Division—acted to update and set behavioral standards in the relations between the banking corporations and their customers. These standards are intended to increase competitiveness among the existing actors, remove impediments and reduce information and knowledge gaps, ensure proper and fair behavior in relations between the banking corporations and their customers, and lead to increased transparency and a simplified banking product.

Additionally, due to the importance of the small business sector to economic activity, and fully aware of the structural difficulties embedded in its operation, the Banking Supervision Department took additional measures intended to assist small businesses in their day-to-day management, and to lower the cost of managing their bank accounts.

The measures taken by the Banking Supervision Department are intended to enable the customer to understand what banking services are most appropriate to his account activity profile, and to assist him in more easily discovering the actual cost of those services, conduct a market survey, and act to implement his decisions without impediments and at minimum cost.

The objective of this document is to bring some of these measures in the field of bank-customer relations to the attention of the public, and particularly the innovations regarding the customer's rights in working with the banking system, that are derived from the updates in consumer regulation implemented in 2014. Increased public awareness of these rights, in part through this document, will assist in reducing information gaps between the public and the banking corporations, thereby strengthening the customer's position in his day-to-day conduct with the banking system and improving his ability to insist on his rights in an informed way.

Odeda Perez
Deputy Supervisor of Banks
Head of the Bank-Customer Division

TABLE OF CONTENTS

PART 1 – LIST OF MAIN AMENDMENTS

Topic	Summary
1. <u>Opening an account and moving between banks</u> The ability to easily open a new bank account, and the ability to close a bank account and transfer activity to another bank, are an important component in strengthening the power of the customer. Moreover, the very ability to easily move to another bank is an important bargaining tool for the customer, whether he decides to actually make the move or whether he chooses to improve his terms at the existing bank.	
Opening and managing a current account with no credit facility—Directive 422	Opening a bank account is a basic and essential right for the purpose of the economic management of every household or small business, even if it has limited financial means. This new directive clarifies the cases in which a banking corporation is required to open a current account with no credit facility for a customer. In addition, the directive sets out the services and means of payment that the banking corporation is required to make available to the customer for the purpose of managing his account.
Opening accounts via the Internet—Directive 418	The ability to easily open a bank account without needing to leave the house or office, meaning without coming to the branch, arranging a meeting, standing in line, and so forth, removes many impediments that prevent the actual move between banks. This new directive makes it possible for a customer to open a bank account via the Internet, with the objective of increasing the competitive power of the retail customer—the household or small business. Alongside the advantages in providing the opportunity to open an account online, the directive also relates to the risks facing the banking corporation in managing bank accounts, such as money laundering prohibition and financing of terrorism prohibition risks, as well as operational risks such as the risks of impersonation or fraud.
Transferring activity and closing a customer's account—Directive 432	Concern over the procedure and significance of closing an existing account has been an impediment in moving between banks. With the objective of strengthening the customer's ability to reach a decision and carry it out easily, the directive was enacted in such a way that simplifies the actions required to close a customer's account or move activity from one bank to another. The directive also makes it possible for the new bank to take all the actions for the customer, shortens the processes involved in the move, prevents excess bother for the customer in completing the move from one bank to another, and sets out rules that will assist the customer in exercising his choice to manage his banking activity, in whole or in part, at another bank.
Debits by authorization—	The process of transferring debits by authorization from one bank to another is identified as a complex process and an impediment to

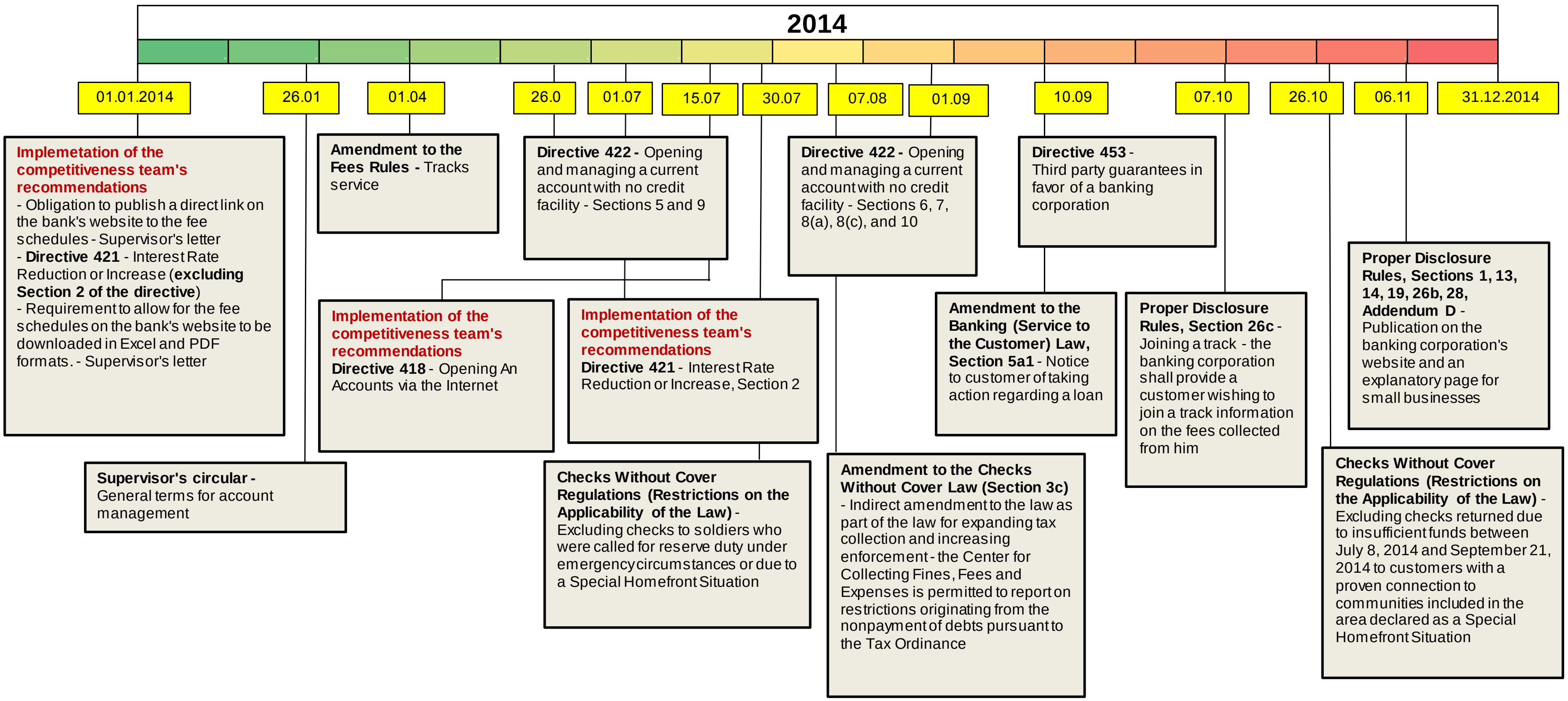
Directive 439	moving. In order to improve and streamline the transfer of existing debit authorizations and standing bank orders from one bank to another, a new process has been set out, by way of an amendment to the directive, which will involve a minimum of effort on the part of the customer and a relatively short duration. All that is required of the customer is to submit a request to the new bank to transfer the debits. The request can be submitted via the Internet, with the rest of the process being conducted for the customer by the new bank.
2. <u>Ability to compare and transparency of information</u> **The information gap between the bank and the retail customer, and occasionally the lack of financial literacy, may make it difficult for a customer to understand the cost required of him and to compare it to other alternatives. In order to narrow these gaps, the Banking Supervision Department is simplifying the pricing of banking services, increasing transparency and reporting, and correcting isolated failures derived from these information gaps.**	
Interest rate reduction or increase—Directive 421	This new directive instructs banking corporations to maintain the benefit given to the customer at the time a loan was taken out or at the time a deposit was opened for the duration of the loan or deposit.
Annual reports to the customers of the banking corporations—Directive 425	A simple and comprehensive report will make it possible for the customer to understand his financial situation at the bank and to obtain alternative proposals from competing entities. The objective of this new directive is to create a centralized summary report that details all of the customer's assets and liabilities at the banking corporation, including all income and expenses during that year in respect of assets, liabilities and current activity, and expenses in respect of fees. This centralized report will be provided to the customer at the banking corporation's initiative once a year. The report will also narrow the gap between the information in the possession of the bank at which the customer's account is managed, and another financial institution to which the customer may appeal in order to obtain a competing offer.
Nonbanking benefits to customers—Directive 403	With the objective of making it easier for customers to compare the banking services and products offered to them, and in order to prevent a customer from being beholden to a bank due to a benefit he has received, the directive was enacted by way of placing new restrictions on the banking corporations in granting nonbanking benefits.
Publication of uniform contracts—Notice of the end of benefits	As part of an amendment to the Banking (Service to the Customer)(Proper Disclosure and Provision of Documents) Rules, 5752–1992, the banking corporations are obligated to publish uniform contracts, such as the agreement to open a current account, on their websites. The banking corporations are also obligated to provide two weeks' advance notice to certain

	customers regarding the end of the benefit they received in their account.
3. **<u>Fees</u>** **The expenses borne by the customer in managing a bank account can be reduced in various ways. Among these are expanded disclosure and increased transparency, simplification of the pricing method, and providing the customer with tools to make it easier for him to compare the various costs at various banks.**	
Presentation of fee schedules	The banking corporations are required to provide a direct link from the home page on their websites to the fee schedules, and to make it possible to download the fee schedules published on the website in Excel and PDF formats.
Tracks service and reducing minimum fees for managing a current account	As part of the amendment to the Banking (Service to the Customer)(Fees) Rules, 5768–2008, the banking corporations are required to include two reduced-cost fees tracks as part of the current account management services offered to their customers—the basic track and the expanded track. The basic track includes up to 10 customer-executed transactions and up to one teller-executed transaction, and its price is controlled and cannot exceed NIS 10. The expanded track includes up to 50 customer-executed transactions and up to 10 teller-executed transactions. In addition, the fee for completion to a minimum on managing a current account has been reduced by half, and currently stands at the fee for one teller-executed transaction.
Disclosure of the cost of services in securities—Directive 414	In order to increase transparency and strengthen the customer's bargaining power, the banking corporations are required to show customers who are charged fees for the purchase, sale or deposit of Israeli and/or foreign securities or fees for the management of securities deposits, comparative information regarding the fee rates that other customers of the banking corporation have paid for holding deposits of similar value to the deposit held by the customer.
Small businesses	The group of small businesses entitled to benefit from cheaper retail fee rates has been expanded. In addition, a number of measures have been taken with the objective of increasing small businesses' awareness of their rights (such as the obligation to provide an explanatory sheet emphasizing the right to join the retail fee schedule and details of how to join it), to make it easier to join the retail fee schedule (such as by providing just one annual report rather than a report every year), and to lower the cost of managing an account (by creating the expanded tracks service).
4. **<u>Housing loans</u>**	
Banking Order (Early Repayment	An amendment to the Banking (Early Repayment Fees) Order, 5762–2002 discusses the payment that banks collect from

of a Housing Loan)	borrowers who make an early repayment of housing loans (mortgages). In accordance with the amendment, borrowers whom the bank has evaluated, when making the loan available, as high-risk borrowers, and for whom a relatively high interest rate has been set, shall pay lower capitalization differentials when making an early repayment of the mortgage.

PART 2 – IMPORTANT DATES

The following chart lists the dates on which the amendments to consumer legislation take effect during 2014–2016.*



* Updated to December 31, 2014.

2015-2016

01.01.2015

Implementation of the competitiveness team's recommendations
- **Directive 414** - Cost of disclosure of securities services
- **Directive 432** - Transferring activity and closing a customer's account, excluding Sections 5, 6, 7, 8, 13, 14 and 18

- **Directive 422** - Opening and managing a current account with no credit facility, Section 8(b)
- **Directive 403** - Nonbanking benefits to customers
- **Proper Disclosure Rules** - Excluding Sections 3(a1), 4(a) and 5(b)(1) of the Rules

23.02

Banking (Early Repayment of Housing Loan) Order
- Update of the early repayment formula and expanding disclosure obligations

01.04

Directive 308a - Handling Public Complaints

Proper Disclosure Rules - Section 5(b)(1) - Changes regarding a particular customer

01.07

Implementation of the competitiveness team's recommendations
Directive 432 - Transferring activity and closing a customer's account, Sections 5, 6(b), 6(c) - relating to the guide, 6(d), 7, 8, 13, and 14

01.10

Implementation of the competitiveness team's recommendations
Directive 439 - Debits by Authorization

31.12.2015

01.01.2016

28.02

Implementation of the competitiveness team's recommendations
Directive 425 - Annual Reports to the Customers of the Banking Corporations - Banking ID
Directive 432 - Transferring and closing a customer's account, Sections 6(a), 6(c) - relating to the periodic report, and 18

* Updated to December 31, 2014.

PART 3 – LEGISLATIVE AMENDMENTS WITH THE OBJECTIVE OF STRENGTHENING FAIRNESS, INCREASING TRANSPARENCY AND SIMPLIFYING THE BANKING PRODUCT

1. Opening an account and moving between banks

Opening and managing a current account with no credit facility—Directive 422[1]

By law, a bank must open a current account in Israeli currency for a customer, unless the bank has a reasonable reason to refuse opening an account as stated.

This Directive is intended, among other things, to reduce the number of cases in which people from weaker socioeconomic groups have difficulty in opening a bank account. The Directive clarifies that for the following customers, the bank is obligated to open an account with no credit facility, provided that there is no other reason to prevent this:

(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, past or present.
(2) A customer in bankruptcy proceedings, past or present. (Regarding a customer currently in bankruptcy proceedings, the bank may condition opening an account on the presentation of certification from the Receiver or the Special Administrator.)
(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.

If a customer submits a request to open an account with no credit facility and the account is not opened on the date the request is submitted, he must make sure that he has received from the bank clerk <u>one</u> of the two following forms, before leaving the bank:

- A form attesting to the fact that a request to open an account was submitted. The bank must convey to the customer its final decision within 5 business days. If approval of the request is conditional on the provision of documents, the list of documents shall be provided on this form.
- A form noting the fact that the bank has refused to open an account for the customer.

Management of the account:

The Directive also sets out that the bank is required to provide to the customer, at his request, the following means of payment, unless there is a reasonable reason to refuse:

- A debit card (immediate debit card)
- A cash withdrawal card

[1] **Date of publication**—May 26, 2014. **Effective Date**—Different effective dates are set out in the Directive for different sections. As of January 1, 2015, the entire Directive is in effect.

- Making payments through authorized debits (standing bank orders).

Furthermore, the bank must provide the customer with the following services:
- Information retrieval service by a service desk
- Access to the bank account by way of the bank's website.

The right to a bank account –
Opening a bank account with no credit facility is a basic right. Therefore, as a rule, a customer's request to open a bank account with no credit facility should not be refused. Furthermore, opening an account makes it necessary to provide the ability to manage it. Therefore, the bank must provide the customer with basic services that will enable him to manage his account efficiently and easily.

Opening accounts via the Internet—Directive 418[2]

Until recently, the opening of a current account had to take place at the bank branch, mainly due to regulatory restrictions based on the Prohibition On Money Laundering and the Financing of Terrorism, and licensing aspects. This Directive makes it possible to open bank accounts via the Internet.

The Banking Supervision Department views the ease of movement between the banks as an important means of strengthening the power of the household and the small business and increasing competition. With the objective of reducing both the bureaucratic impediments and the psychological impediments, the Banking Supervision Department has made it easier to open a bank account by eliminating the need to come to the branch, arrange a meeting or stand in line. The decision to move to a new bank can be made and implemented at home or from the office.

The measure is also intended to assist banks with a small number of branches to compete with the large banks and attract customers.

Alongside the advantages in providing the ability to open an account online, the Directive also relates to the risks facing the banking corporation in managing bank accounts, such as risks related to the Prohibition On Money Laundering and Financing Terrorism, and operational risks such as the risks of impersonation and fraud.

The Directive therefore sets out a number of compensatory limitations and controls to minimize these risks, such as:

- The person seeking to open an account via the Internet shall be the account holder.

[2] **Date of publication and effective date**—July 15, 2014.

- The bank shall be permitted to verify the identity of the person seeking to open an account via the Internet, based on copies of the person's ID card and an additional identifying document, without need of presenting the original documents.
- A "Know Your Customer" process will be carried out by video conference, and will be documented, replacing the need for a face-to-face identification that requires the customer to physically come to the branch.
- The account opened online shall be restricted such that cash transactions shall not exceed NIS 10,000, and the balance at the end of each business day shall not exceed NIS 300,000. These restrictions shall be removed after the customer visits the bank branch and completes a face-to-face identification.

Simply and easy—the future is here!
From now on, a customer can open a bank account by way of video conference, without coming to the branch. Basically, the customer can open a bank account even from home.

Transferring activity and closing a customer's account—Directive 432[3]

In recent years, the Banking Supervision Department has worked to simplify and shorten the process of closing a customer's account or moving activity from bank to bank, with the aim of preventing excess bother on the part of the customer and in order to enable him to exercise his choice to manage his banking activity, in whole or in part, at another bank. In 2014, the Banking Supervision Department continued to act to make it easier to close a customer's account and transfer activity from the account at the old bank to his new account by, inter alia, setting out the following guidelines:

a. The new bank carries out all actions for the customer: The Directive enables the new bank to step into the customer's shows and carry out on his behalf all of the actions required to transfer activity from his old account to his new one, and to close the account at the old bank.
b. Transferring activity or closing an account is more accessible to the customer: For the purpose of transferring activity in an account or closing an account, including all the steps inherent in it, the customer does not need to come to the bank branch at all, particularly to the branch at which the account is managed. For instance, a customer may submit a request to close an account or to transfer to another bank via the bank's website or a phone call.
c. Reducing information gaps: The bank is required to provide the customer with up-to-date information regarding the activity in his account, and regarding the process of closing the account, in a friendly and more accessible manner for the

[3] **Date of publication**—December 21, 2014. **Effective date**—Some of the sections came into effect upon publication of the Directive, and some of the sections come into effect on July 1, 2015. The sections relating to the periodic report will come into effect on February 28, 2016.

customer. In other words, in a case where a customer assesses the worthwhileness of transferring to another bank or of closing his account at a bank, the bank must issue to the customer a detailed annual report (“Banking ID”) updated to the end of the month preceding the date the request is submitted, as well as a guide that will help the customer understand the actions necessary to transfer activity or to close the account.

d. Non-cancellation of benefits and discounts: The Directive clarifies that a bank shall not cancel benefits or discounts granted to the customer, solely due to the fact that the customer has submitted a request to transfer activity of close an account.
e. Finality in closing an account: The Directive sets out dates that the bank must meet for the purpose of fulfilling the customer’s request. For instance, the process of transferring a customer’s activity from one bank to another shall be completed within 5 business days from the date the customer submits the request. If closing the account requires that certain actions be taken by the customer, the process of closing the account shall be completed within 5 business days after the customer has completed taking those actions. Moreover, the process of transferring an Israeli securities portfolio shall be completed within 5 business days from the date the customer gives the instruction, whether the account has been closed or not.

Closing an account or transferring activity—without coming to the branch
The customer can submit a request to transfer an account from one bank to another, or to close his account, through a variety of channels, including via the customer’s account on the bank’s website, a phone call, or through the well-known method of coming to the bank branch itself.

Debits by authorization—Directive 439[4]

This Proper Conduct of Banking Business Directive regulates the process of establishing debit authorizations (standing bank orders) and transferring them from bank to bank.

A debit authorization is a method for making payments through which the customer gives approval to his bank to transfer money to beneficiaries at their request.

The process of transferring debit authorizations from bank to bank has been identified as a complex process that sometimes involves tremendous bother for the customer, and therefore as one of the main impediments facing customers who want to transfer their activity from bank to bank and improve the terms of their association with the banks.

In order to improve and streamline the process of transferring existing debit authorizations from the customer’s old bank to the new bank, a new process has been set

[4] **Date of publication**—September 1, 2014. **Effective date**—October 1, 2015.

out, to be carried out with minimum effort on the part of the customer, and within a relatively short timeframe.

All that is required is for the customer to submit a request to the new bank to transfer the debits, to which the customer will attach an authorized debits report produced by the old bank. The customer will also be able to grant approval for the new bank to produce this report, should he or she wish to do so. The new bank will carry out the rest of the process for the customer, in contrast to the process that was customary until the Directive was enacted, which placed the entire burden of contacting each of the businesses with an authorization and re-establishing the authorization for the new account on the customer.

The Directive also sets out that a customer may submit a request to establish an authorization through a variety of communications channels, including the bank's website, fax, mail and the bank branch.

Important to remember!
The move to the new bank will not negatively impact the customer's liabilities toward third parties. In other words, the debit authorizations issued by the customer (for instance, to the electric company, Bezeq, and so forth) will remain valid and will be transferred to his account at the new bank, by the new bank, at his request.

2. Ability to compare and transparency of information

Interest rate reduction or increase—Directive 421[5]

The objective of the Directive is to increase transparency of the overall cost of credit and deposits, and to make it easier for the customer to compare alternative products and services.

The Directive obligates the banks and credit card companies to maintain benefits they have given to the customer when the credit was extended or when the deposit was opened, throughout the credit or deposit period. This obligation was put in place because granting a benefit for a limited period that is cancelled after a certain amount of time blurs the price, making it more difficult for the customer to compared prices of similar products and services and making an informed decision.

The Directive sets out that for loans where the interest rate is not fixed and is not known throughout the lifespan of the loan, and for loans taken out in portions, the banking corporation will be obligated on the date of a change in the interest rate to apply the same change to the base interest rate of the loan.

For deposits where the interest rate is not fixed and is not known throughout the lifespan of the deposit, and for renewing deposits, the banking corporation is required on the date of a change in the interest rate or renewal of the deposit to apply the same chnage to the base interest rate of the deposit.

Did you know?

In accordance with the Supervisor's Directives, the terms a customer has received due to belonging to a certain group (such as a workers' organization, students, soldiers or a customer with a certain level of financial wealth) cannot be negatively impacted if he no longer belongs to that group. In other words, in cases where there has been a change, during the deposit/credit period, to the customer's belonging to a group that is entitled to benefits, or in cases where when opening the deposit or taking the credit, the customer did not belong to any group but joined a group during the period, there shall be no change in the addition or reduction of the interest rate as a result of the change in status on its own.

[5] **Date of publication**—September 9, 2013. **Effective date for loans**—January 1, 2014. **Effective date for deposits**—July 1, 2014.

Annual reports to the customers of the banking corporations (Banking ID)—Directive 425[6]

The objective of the Directive is to create a centralized and summary report, in a uniform format, as part of which all of the customer's assets and liabilities at the banking corporation will be listed, including total income and expenses during that year in respect of assets, liabilities and current activities, and expenses for fees.

This report will be provided to the customer at the banking corporation's initiative once per year.
Providing centralized information to the customer, as part of the "Banking ID", is intended to assist the customer in making informed consumer decisions, improving his ability to monitor his activity in the account, increase his ability to compare various banking products and services, lead him to action, and assist him in acting to improve his conditions.

In accordance with the Directive, the banking corporations are required to display a short-form report and a detailed report in a separate tab in each customer's online account, according to the formula and structure set out in the Addendum to the Directive. The banking corporation is required to present the reports by February 28, relating to data from the preceding calendar year. If the customer does not manage an online account, the banking corporation is required to provide the customer with the short-form report by the aforementioned date, while the detailed report will be provided at the customer's request. (If the request is submitted between January 1 and the date of the report, the detailed report shall be provided within 7 business days from the report date.)

The annual report also helps to increase competition. A customer who is interested may, with the help of the report, obtain an improved account management proposal from another financial institution (a new bank, a credit card company, an insurance company or any other financial institution), since the report will enable that competing institution to acquaint itself with, and more easily evaluate, the customer's financial behavior and needs, and thereby provide him with a more attractive offer than what is currently offered to him.

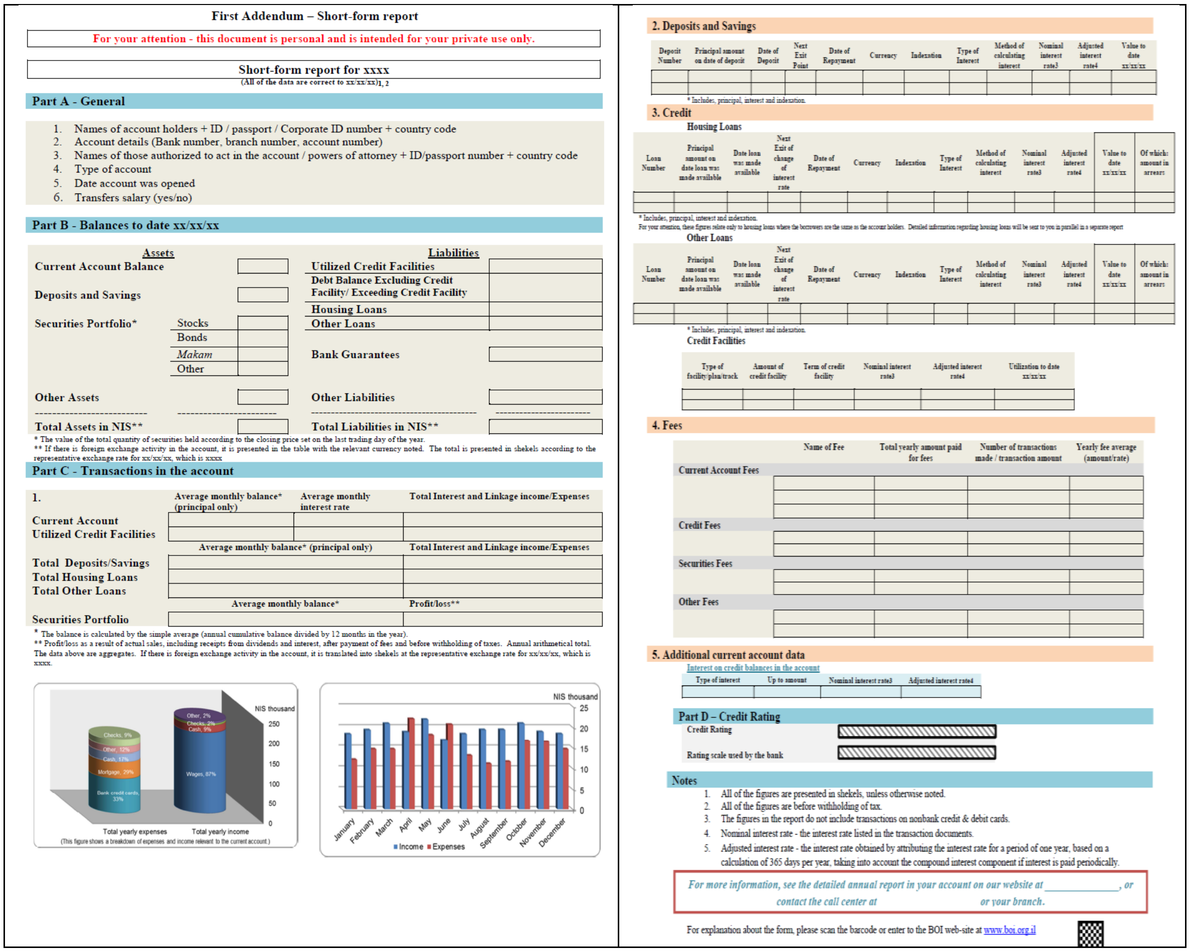
What does the "Banking ID" do?

- ✓ The customer can use it to compare the banking products and services provided to him.
- ✓ It helps the customer monitor his activity in his bank account.
- ✓ Assess the worthwhileness of transferring from bank to bank, or for the purpose of closing an account. The Banking ID serves as a source of centralized information for a customer considering the worthwhileness of transferring from bank to bank or closing an account (see also Directive 432).
- ✓ Management of the customer's account efficiently and conveniently.

[6] **Date of publication**—November 19, 2014. **Effective date**—On February 28, 2016, the first annual reports for 2015 will be sent to customers.

Did you know?

Among other things, the Banking ID will include details of the customer's asset and liability balances, deposits, savings, credit obtained from the bank, and data regarding the total fees and interest paid during the year. All of this will help him monitor his activity in his bank account and compare various banking products and services.



First Addendum – Short-form report

For your attention - this document is personal and is intended for your private use only.

Short-form report for xxxx
(All of the data are correct to xx/xx/xx)1, 2

Part A - General

1. Names of account holders + ID / passport / Corporate ID number + country code
2. Account details (Bank number, branch number, account number)
3. Names of those authorized to act in the account / powers of attorney + ID/passport number + country code
4. Type of account
5. Date account was opened
6. Transfers salary (yes/no)

Part B - Balances to date xx/xx/xx

Assets			Liabilities	
Current Account Balance			Utilized Credit Facilities	
			Debt Balance Excluding Credit Facility/ Exceeding Credit Facility	
Deposits and Savings			Housing Loans	
Securities Portfolio*	Stocks		Other Loans	
	Bonds			
	Makam		Bank Guarantees	
	Other			
Other Assets			Other Liabilities	
Total Assets in NIS**			Total Liabilities in NIS**	

* The value of the total quantity of securities held according to the closing price set on the last trading day of the year.
** If there is foreign exchange activity in the account, it is presented in the table with the relevant currency noted. The total is presented in shekels according to the representative exchange rate for xx/xx/xx, which is xxxx

Part C - Transactions in the account

1.	Average monthly balance* (principal only)	Average monthly interest rate	Total Interest and Linkage income/Expenses
Current Account			
Utilized Credit Facilities			

	Average monthly balance* (principal only)	Total Interest and Linkage income/Expenses
Total Deposits/Savings		
Total Housing Loans		
Total Other Loans		

	Average monthly balance*	Profit/loss**
Securities Portfolio		

* The balance is calculated by the simple average (annual cumulative balance divided by 12 months in the year).
** Profit/loss as a result of actual sales, including receipts from dividends and interest, after payment of fees and before withholding of taxes. Annual arithmetical total. The data above are aggregates. If there is foreign exchange activity in the account, it is translated into shekels at the representative exchange rate for xx/xx/xx, which is xxxx.

(This figure shows a breakdown of expenses and income relevant to the current account.)

2. Deposits and Savings

Deposit Number	Principal amount on date of deposit	Date of Deposit	Next Exit Point	Date of Repayment	Currency	Indexation	Type of Interest	Method of calculating interest	Nominal interest rate3	Adjusted interest rate4	Value to date xx/xx/xx

* Includes, principal, interest and indexation.

3. Credit

Housing Loans

Loan Number	Principal amount on date loan was made available	Date loan was made available	Next Exit of change of interest rate	Date of Repayment	Currency	Indexation	Type of Interest	Method of calculating interest	Nominal interest rate3	Adjusted interest rate4	Value to date xx/xx/xx	Of which: amount in arrears

* Includes, principal, interest and indexation.
For your attention, these figures relate only to housing loans where the borrowers are the same as the account holders. Detailed information regarding housing loans will be sent to you in parallel in a separate report

Other Loans

Loan Number	Principal amount on date loan was made available	Date loan was made available	Next Exit of change of interest rate	Date of Repayment	Currency	Indexation	Type of Interest	Method of calculating interest	Nominal interest rate3	Adjusted interest rate4	Value to date xx/xx/xx	Of which: amount in arrears

* Includes, principal, interest and indexation.

Credit Facilities

Type of facility/plan/track	Amount of credit facility	Term of credit facility	Nominal interest rate3	Adjusted interest rate4	Utilization to date xx/xx/xx

4. Fees

	Name of Fee	Total yearly amount paid for fees	Number of transactions made / transaction amount	Yearly fee average (amount/rate)
Current Account Fees				
Credit Fees				
Securities Fees				
Other Fees				

5. Additional current account data

Interest on credit balances in the account

Type of interest	Up to amount	Nominal interest rate3	Adjusted interest rate4

Part D – Credit Rating

Credit Rating

Rating scale used by the bank

Notes

1. All of the figures are presented in shekels, unless otherwise noted.
2. All of the figures are before withholding of tax.
3. The figures in the report do not include transactions on nonbank credit & debit cards.
4. Nominal interest rate - the interest rate listed in the transaction documents.
5. Adjusted interest rate - the interest rate obtained by attributing the interest rate for a period of one year, based on a calculation of 365 days per year, taking into account the compound interest component if interest is paid periodically.

For more information, see the detailed annual report in your account on our website at ______________, or contact the call center at or your branch.

For explanation about the form, please scan the barcode or enter to the BOI web-site at www.boi.org.il

The Banking ID will include visual graphs that will provide the customer with, among other things, a picture of his total income and expenses, both at the yearly level and at the monthly level.

Nonbanking benefits to customers—Directive 403[7]

This Proper Conduct of Banking Business Directive limits the banks and credit card companies in granting nonbanking benefits, in order to make it easier for customers to compare between the banking products and services offered to them and to prevent the customers from being beholden due to a benefit that they have received.

The Directive is an outgrowth of the wide variety of nonbanking benefits that were customarily offered to customers by the banking corporations. This variety made it necessary to set out clear and uniform rules that would make it possible for customers to compare the banking products and services being offered to them, and to distinguish between the value of nonbanking benefits and the value of the banking services, with the aim of increasing competition in the banking system over the prices of banking services.

What is a banking benefit and what is a nonbanking benefit?	
Banking benefit—A benefit that by its nature is attached to a banking service or product, such as additional interest, discount or exemption from paying interest or fees, reduction or waiver of reimbursement for third parties, or a change in terms of payment.	**Nonbanking benefit**—A benefit that is not a banking benefit, given as a gift or by advance or retroactive credit, by way of a coupon, discount, loan that is gradually cancelled, or any other method, as well as payment of money by way of crediting the customer's account or payment card.

When is giving a nonbanking benefit allowed?	**When is giving a nonbanking benefit prohibited?**
The following are the nonbanking benefits that a banking corporation is permitted to give: - A benefit given by way of submitting a request on the part of the customer to issue a payment card, its possession and use. - Monetary payment when opening a current account. - An objective of small and symbolic value given when opening a current account or when submitting a request to receive settlement services, or when a certain even takes place (such as a holiday or birthday), or by way of managing a current account or by way of using settlement services. - A discount or exemption from payment for advertising a nonbanking benefit, to businesses who receive settlement services from the banking corporation. - A benefit directly connected to financial information campaigns. It is clarified that the granting of these benefits shall **not** be conditioned on the following demands: association for any period, demand to return the benefit, or demand for the customer to agree to receive marketing and advertising materials from the bank.	Nonbank benefits may not be given by way of opening and managing a current account, or by way of providing other banking services, including making a deposit, providing or using credit, opening and managing a securities portfolio, investment counseling or pension counseling, settlement and deduction.

[7] **Date of publication**—July 6, 2014. **Effective date**—January 1, 2015, while specific agreements with banking corporation customers reached before the amendment became effective, which include nonbanking benefits subject to any conditions, will remain in effect until the date set out in those agreements.

Revolving credit—The Directive also deals with the issue of a revolving credit card, with the objective of ensuring that customers choose the revolving credit option (a service the cost that is, generally, more costly to the customer) out of interest in the service itself and not in order to benefit from nonbanking benefits that are offered as part of the marketing of the product. For this purpose, it has been set out that the banking corporation shall not condition the granting of nonbanking benefits on the actual provision or use of the revolving credit service.

Proper disclosure—In order to improve disclosure to the customer, the Directive sets out that, when advertising a nonbanking benefit, the banking corporation must present material information regarding the benefit. In addition, if in its advertising the banking corporation chooses to present the price of a product or service after the benefit, it must also present the price before the benefit if such exists.

Miscellaneous

As part of the Banking (Service to the Customer)(Proper Disclosure and Provision of Documents) Rules, 5752–1992 (hereinafter: Proper Disclosure Rules), the banks are obligated to carry out proper disclosure of material details in the agreements between them and their customers. A number of amendments have been made to these rules, including:

- Uniform contracts[8]—Obligating the banking corporations to publish various agreements, which are a uniform contract, on their websites, in order for the customer to be able to read the agreement beforehand, during his free time, before signing it.
  The agreements regarding which the obligation applies are of the following types: general business terms agreement; agreement for opening and managing a current account; agreement to deposit money for a defined time, for a period that exceeds one year; agreement to provide credit, except for a one-time provision of a line of credit by the banking corporation; securities deposit custodial agreement; power of attorney or other type of authorization; guarantor agreement toward the banking corporation.

Before a customer comes to open a bank account, he can view the agreement for opening and managing a current account on the banking corporation's website.

- Notice of ending a benefit[9]—The obligation has been added to notify a "certain customer" (meaning a customer regarding whom the banking corporation has set out special terms in the agreement between him and the banking corporation that derive from the characteristics of the customer's account or from his belonging to a customer group), regarding the end of the

[8] **Date of publication**—December 30, 2014. **Effective date**—January 1, 2015.
[9] **Date of publication**—December 30, 2014. **Effective date**—January 1, 2015.

benefits that were given for a period exceeding 3 months. Such notification must be issued at least two weeks before the end of the benefit, and if the renewal of the benefit is conditional upon the provision of documents, the banking corporation must note this. The objective is to direct the customer's attention to expected changes in the costs inherent in managing his account, to assist him in making decisions accordingly, and to motivate him to act where necessary.

Concerning the changes in the account management terms for a certain customer, the banking corporation is required to notify the customer of this at least two weeks before the date of the change, according to the circumstances of each case. For instance, in a case of a change relating to the cancellation or reduction of a line of credit, the banking corporation is required to notify the customer of the change a reasonable time in advance based on the circumstances, and in accordance with the rules set out by precedent in this regard.

For instance, in a case where the bank gave a customer a discount on a fee for 12 months, the bank will be required to notify the customer two weeks before the end of the benefit. In that way, the customer will be able to make a decision regarding how he wishes to continue his behavior with the bank without needing to rely on his memory.

3. Fees

Publication of a direct link to the fee schedules on the banking corporation's website, and presentation of fee schedules on the banking corporation's website in Excel and PDF formats[10]*; presentation of information on websites*[11]

One of the best ways to deal with the issue of the information gap between the bank and the customer, and the effects of these information gaps on competition, is by increasing the customer's ability to compare alternative products and providers. The publication of some of the consumer information is based on the provisions of the law, and some of it is a direct result of the business and marketing considerations of the banking corporations, who use their websites for advertising, customer recruitment or providing information.

In view of this, the banking corporations are required to present their fee schedules through a direct link from the homepage of their websites, in addition to the already existing requirement to present them in a prominent place in the branches and to enable every person to obtain them at the branch.

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[10] **Date of requirement**—January 1, 2014 (set out in the Banking Supervision Department's letter to the banking system from October 21, 2013).

[11] **Date of publication of the amendment to the Proper Disclosure Rules**—October 7, 2014; **Effective date**—November 6, 2014.

Moreover, the banking corporations are required to enable the fee schedules published on their websites to be downloaded in Excel and PDF formats. The Excel format makes it easier for customers to compare various fee schedules through a uniform electronic spreadsheet format, which also makes it possible to make mathematical calculations and to filter by definitions.

In addition, information that the banking corporations were heretofore required by law to publish on boards at the branches or in daily newspapers must now be published on their websites as well. The objective of the change is to enable a customer or a third party to access the information and to use it easily, without needing to obtain it from the bank or to collect it individually, which increases the simplicity, transparency and competitiveness for customers, and makes it significantly easier for them to compare.

Good to know!
It is worth comparing the fee schedules of the various banks.

The fee schedules can be found by direct link from the homepage of the banking corporation's website, among other ways.

It is also possible to download the fee schedules in formats that enable easy comparison and making calculations where necessary.

Tracks service and reducing minimum account management fees[12]

As part of the amendment made to the Banking (Service to the Customer)(Fees) Rules, 5768–2008 (hereinafter, the Fees Rules), the banks are obligated to include the basic track and the expanded track as part of the account management services offered to their customers.

The objective of this amendment is, among other things, to simplify the pricing method by setting a single price for current account management, thereby increasing the customer's ability to compare the various prices at the various banks for the same service.

Until now, the banks collected a fee for each transaction in the current account, whether teller-executed or customer-executed. Accordingly, the monthly payment varied from month to month in accordance with the number of transactions actually executed. With the change, the banks are required to offer their customers an additional pricing method: A single price for the basic current account management services (basic track or expanded track).

The basic track includes up to 10 customer-executed transactions[13] and up to one teller-executed transaction[14]. Its price is controlled and cannot exceed NIS 10. The expanded

[12] **Date of publication of the amendment to the Fees Rules**—November 28, 2013; **Effective date**—April 1, 2014.

track includes up to 50 customer-executed transactions and up to 10 teller-executed transactions.

The following are the prices of the basic and expanded tracks (as of December 31, 2014) at the various banks:

NIS	Hapoalim	Leumi	Discount	Mizrachi	First International	Union	Mercantile	Otzar Hahayal	Masad	Yahav	Poalei Agudat Yisrael	Bank of Jerusalem	Arab Israeli Bank
Basic track	10.0	10.0	9.0	9.0	9.0	10.0	8.5	10.0	10.0	10.0	9.0	0.0	10.0
Expanded track	22.0	20.0	25.0	29.0	26.0	24.0	26.5	27.0	30.0	20.0	29.0	0.0	20.0

In addition, some of the banks offer an expanded-plus track that includes the expanded track plus additional services that are unique to each bank.

In order to assist customers in making an informed decision as to the least expensive charge method for them, the Banking Supervision Department placed a tracks calculator on the Bank of Israel's website, enabling customers to check the most appropriate method of charge for them—the basic track, the expanded track, or not joining a track, the latter of which means being charged according to the method that was in place until now—payment for each transaction.

<u>How does the calculator work?</u>

The calculator is based on the number of transactions carried out by the customer over the course of a month, and on the price of the tracks at the various banks. A customer who does not know how many transactions he executes in a month, either as teller-executed transactions or customer-executed transactions, can review his account statements or obtain this information directly from the bank.

The objective of this measure is to lead to increased transparency of the cost of managing a current account at the banks, improve the customer's ability to compare, and encourage competition in the area of fees, in order to lower costs.

Every customer can move from one charge method to another by providing advance notice to the bank. The change in the charge method will come into effect on the first of the month following the date the notice was provided to the bank. (In other words, joining a track during April will come into effect on May 1.) The charge for the track

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[13] Crediting an account via a clearinghouse, debiting a credit card, depositing cash, withdrawing cash via an ATM maching, transfer or deposit into a different account, payment of a coupon, information query on any issue (from the seventh query per month), withdrawing a check, depositing a check (for each group of up to 20 checks), including by way of the service box, authorized debit or standing bank order.

[14] Transactions executed by a bank teller, including through a manned telephone call center: depositing cash, withdrawing cash, printing and providing an account statement at the customer's request, transfer or deposit into a different account, redeeming a check (including withdrawal by self-addressed check), depositing a check (for each group of up to 20 checks), payment of a coupon, obtaining change for cash.

will be made on a monthly basis, at the beginning of each month, for the preceding month. Further, it is possible to join a track by contacting the telephone call centers of the various banks, by sending a fax, or at the bank branches.

In addition, on April 1, 2014, the minimum account management fee was cut in half, from the cumulative total of two teller-executed transactions to an amount equal to just one teller-executed transaction. As a result, customers who carry out few transactions in the account (one teller-executed transaction or only about three customer-executed transactions) currently pay an amount equal to the price of one teller-executed transaction.

It's worth examining the worthwhileness of joining the tracks!
The tracks service represents a significant lowering of the account management costs, particularly for small businesses.

There is no obligation to examine the worthwhileness of joining specifically through the calculator. Information on fees actually charged to the customer in the past can be obtained by contacting the bank teller by phone, or via the bank's website. This information can then be compared to the cost of the various tracks (basic track or expanded track).

This information will enable the customer to make an information decision with no difficulty, and to implement it rapidly and easily.

Example of the use of the tracks calculator on the Bank of Israel's website.

Tracks calculator

Click here for an explanation

Are you a customer who does not hold an ATM card, are you a "senior citizen"(4), or are you listed as having 40% or more disability?	**No**
How many activities do you execute each month?	
Teller-executed activities	0
Customer-executed activities	0

Bank	Cost with no track	Cost on the basic track	Cost on the expanded track
Union Bank	5.9	10.0	24.0
Otzar Hahayal	6.9	10.0	27.0
Discount Bank	5.9	9.0	25.0
First International	6.3	9.0	26.0
Hapoalim	6.5	10.0	22.0
Yahav	4.0	10.0	20.0
Bank of Jerusalem	0.0	0.0	0.0
Leumi	5.5	10.0	20.0
Mizrachi Tefahot	6.8	9.0	29.0
Masad	7.5	10.0	30.0
Mercantile Discount	6.4	8.5	26.5
Arab Israeli Bank	5.5	10.0	20.0
Poalei Agudat Yisrael	6.5	9.0	29.0

(1) All amounts are in NIS

(2) Amounts are updated according to the banks' price lists as of April 1, 2014.

(3) E&OE

(4) A woman aged 62 or over, and a man aged 67 or over.

Legend:	The lowest cost at the relevant bank.	The highest cost at the relevant bank.

Disclosure of the cost of services in securities—Directive 414[15]

The Banking Supervision Department published this directive with the objective of increasing price transparency and comparative ability in the area of securities, in order for the customer to be able to make an informed decision regarding the cost of securities services and in order to encourage competition in the field.

Since there is a large gap in the securities field between the fee schedule rate and the fee actually collected, which makes it difficult for the customer to compare, the directive requires banking corporations to present comparative information to their customers who are being charged fees for the purchase, sale or redemption of Israeli and/or foreign

[15] **Date of publication**—April 2, 2014; **Effective date**—January 1, 2015, with the information first presented to the customer and published on the website by February 1, 2015, based on data obtained during July–December 2014.

securities or securities deposit management fees, regarding the fee rates paid by other customers of the banking corporation who hold deposits of similar value to that held by the customer.

The comparative information provided to the customer will be presented as part of the semi-annual report to the customer, alongside more detailed information on the securities purchase, sale and deposit fees and the securities deposit management fees actually charged to the customer.

The objective of this measure is to increase the banking corporations' transparency toward their customers. This price transparency should also contributed to increased competition and improve the customer's bargaining power, mainly that of households and small businesses, toward the banking corporations in this field of activity.

The comparative information provided to the customer will also be published on the banking corporation's website, so that the customer can compare between the various banks as to the cost of the service.

The manner in which the data are presented will be uniform, and will be based on data obtained during a six-month period (January–June and July–December), which the banking corporation will update within 30 days from the end of each period.

So, basically, what does this mean?
Let's say that a certain customer purchased securities and paid a fee in respect of the transaction, at the rate published in his bank's fee schedule. As part of the semi-annual report issued to the customer by the bank, the fee paid by the customer in respect of that purchase will be shown, and the fee paid by other customers at the bank who hold deposits of similar value to the deposit held by that customer will also be shown. In this way, the customer will be able to know what his situation is in terms of the level of the fee, in relation to other similar customers, and what is considered a fair price for the transaction.

Small businesses

In order to increase competition in the small business segment, a number of measures have been taken to benefit small businesses and to help them lower their account management costs:

1. **What is a "small business"**—As part of the amendment made to the Fee Rules[16], the definition of "small business" was changed, from a business with a maximum business turnover of up to NIS 1 million to a business with a maximum business turnover of up to NIS 5 million. In this way, the retail fee schedule, the prices on

[16] The amendment to the Fee Rules that came into effect on August 1, 2013.

which cannot exceed the prices on the fee schedule for large businesses, will also apply to a larger group of small businesses.

2. **Proof of being a "small business"**—The Banking Supervision Department is currently considering an amendment to the definition of "small business" in the Fee Rules, which will set out that a business that has provided an annual report stating that its business turnover in the year preceding the date of the report did not exceed NIS 5 million will not be required to provide an additional annual report, and will continue being defined as a "small business", unless the banking corporation requires such a report under circumstances where it has reasonable grounds to believe that the turnover of that business in the most recent year exceeded NIS 5 million. The amendment means that the burden of proof is transferred to the banking corporation. The objective is to make it easier for small businesses to belong to the fee schedule for individuals and small businesses. This amendment is expected to come into effect on February 1, 2015.

3. **Explanatory page**—As part of the amendment made to the Proper Disclosure Rules[17], a banking corporation is required to provide every customer who wishes to open a business account with an explanatory page, as a separate document, providing clarifications regarding the practical ramifications of classifying an account as a "small business" regarding the retail fee schedule, as well as the various alternatives available to it to prove that it is a small business.

Business => It's simple and it pays.

Providing an "annual report" stating that the business turnover is less than NIS 5 million will enable a customer with business activity to continue to be defined as a "small business" in following years as well, without needing to issue an updated annual report every year (in most cases).

"Annual report" means, among other things: Accountant's certification, or a periodic report to VAT, or an annual report to the Income Tax Authority.

4. Housing loans

Banking Order (Early Repayment of a Housing Loan)[18]

[17] The amendment to the Proper Disclosure Rules that came into effect on November 6, 2014.

[18] **Date of publication of the amended Order**—August 27, 2014; **Effective date of the amendment**—The amendment will come into effect on February 23, 2015, and will apply to all early repayments made from that date, even if the loan was provided before that date. In this amendment, the name of the Order has also been changed, and the new name of the Order is shown in this document. The previous name of the Order was the Banking (Early Repayment Fees) Order, 5762–2002.

An amendment to the Banking (Early Repayment of Housing Loan) Order, 5762–2002, discusses the issue of the payment collected by the banks from borrowers making an early repayment of housing loans (mortgages). The amendment was formulated by the Banking Supervision Department following a discussion held on the issue at the Knesset Economics Committee, and after approval from the Minister of Finance and the Knesset Finance Committee.

According to the amendment, borrowers who have been evaluated by the bank as high risk borrowers when they were given a loan, and for whom a relatively high interest rate was set, will pay lower capitalization differentials than those currently paid when making an early repayment of the mortgage.

Currently, prior to the amendment taking effect, the capitalization differentials, which are the main component of the payment, are based on the gap between the average interest rate known on the date of early repayment and the actual interest on the loan. Since the actual interest on the loan was determined in accordance with the banks' evaluation of the borrowers and their ability to repay the loan, a difference was created between borrowers, such that some of them—those with a higher-than-average interest rate—are forced to pay higher capitalization differentials than borrowers with lower-than-average interest rates.

According to the amendment for those borrowers who were evaluated, when taking out the mortgage, as high-risk, the average interest rate in the mortgage market used to calculate the repayment will not be compared to their interest rate when taking out the mortgage, but will be compared to the average interest rate on mortgages as known on the date the mortgage was taken out.

Since the gap between the average interest rate on the date of repayment and that on the date the mortgage was taken out is smaller than the gap between the average interest rate on the date of repayment and the actual interest on the loan, the amount collected in respect of capitalization differentials will be lower. For borrowers who were evaluated as average-risk or low-risk, the formula will remain the same as it was before the amendment.

In addition to this amendment, the following amendments were enacted, and are also intended to make it easier for the customer: increasing the maximum number of days for providing advance notice entitling a customer to an exemption from fees (from 30 days to 45 days); setting out that it is possible to give the bank advance notice not only by mail or personal delivery, but also by fax or any other means of communication; adding a requirement to list the rates of reduction to which the customer is entitled based on the Order and the loan agreement, on the explanatory page given to the borrower; the banking corporation's contact details for providing notice; and more.