

Handling of Public Complaints

A. General Remarks

Introduction

1. Banking corporations' fair and efficient handling of public complaints regarding the banking corporations' business is an essential component of ensuring public trust in the banking system, ensuring the value of fairness in bank-customer relations, and thereby maintaining the reputation of the banking corporation. This Directive sets out rules, the aim of which is to ensure the banking corporation's proper handling of public complaints as part of the obligations that apply to it in its business relationships with its customers. Among other things, the banking corporation is required to maintain a designated function for handling public complaints, and to appoint an ombudsman to lead that function.

Incidence

2. These provisions shall apply to all banking corporations as defined in this Directive.

Definitions

3. In this Directive:

"The public complaints function" A separate organizational unit, the role of which is to examine public complaints, which is headed by a manager bearing the title "Ombudsman";

"Banking corporation" As defined in the Banking (Licensing) Law, 5741–1981, including an auxiliary corporation that is a credit card company and a clearing house as defined in Section 36i of the Banking (Licensing) Law, 5741–1981;

B. Corporate Governance

Organizational culture for handling public complaints

4. The banking corporation shall inculcate an organizational culture that is based on maintaining fairness in relations between it and the customer, and that supports the rapid and efficient handling of public complaints. In handling complaints, the banking corporation shall act in accordance with the Directives that apply to its banking activity, pursuant to law, including laws, regulations, regulatory directives and positions set out by the Banking Supervision Department in handling public complaints (hereinafter: “the relevant directives”).

Board of Directors

5. As part of its overall responsibility for the banking corporation’s business and its financial robustness, the Board of Directors must:
- (a) Approve the policy for the handling of public complaints and the service covenant of the Ombudsman;
 - (b) Make sure that the Ombudsman has the appropriate states, and that the public complaints function is properly staffed and holds the required resources and authorities to carry out its role;
 - (c) Approve the format and frequency of the Ombudsman’s regular reporting to management and to the Board of Directors;
 - (d) Hold a discussion of the Ombudsman’s periodic reports, at least once per year, and as near as possible to the date on which they are received.

Senior management

6. Senior management bears direct responsibility for the work of the public complaints function. In this framework, management must:
- (a) Formulate policy for handling public complaints that is based on this Directive, and formulate a service covenant for the Ombudsman in accordance with this policy. The stated policy shall include mention of the systemic handling of deficiencies uncovered as a result of investigating public complaints, and of

the handling party in the banking corporation. The policy for handling public complaints and the service covenant shall be set out on a group basis, *mutatis mutandis*;

- (b) Establish a public complaints function and appoint an Ombudsman to lead it;
- (c) Ensure the existence of the proper resources for handling public complaints, including adjusting employees to their roles, technological means, access to proper information systems, and qualification and training in the relevant fields;
- (d) Set out reasonable requirements regarding the professional qualifications, education and experience of the employees at various levels in the public complaints function;
- (e) Anchor in procedures the work processes of the public complaints function, and supervise their implementation, based on, among other things, the provisions of this Directive;
- (f) Set out mechanisms for cooperation and mutual reporting between the Ombudsman and the compliance officer and other relevant officials in the banking corporation, such that it will ensure the effective execution of their roles;
- (g) Formulate the format and frequency of the Ombudsman's regular reporting to management and to the Board of Directors, which shall include at least the details as stated in this Directive;
- (h) Hold a discussion of the Ombudsman's periodic reports, at least once per half year, and as near as possible to the date on which they are received.

C. The Public Complaints Function and the Ombudsman

Status, independence and responsibility

ONLY THE HEBREW VERSION IS BINDING

7. A banking corporation shall establish a designated function, the responsibility of which is the handling of public complaints, and shall appoint an Ombudsman to head the function, in order to ensure the banking corporation's proper handling of public complaints.
- (a) The Ombudsman shall be a member of the banking corporation's senior management or directly subordinate to such a member.
 - (b) The Ombudsman and employees of the public complaints function shall not hold any other position. This shall not apply to an Ombudsman who is a member of senior management or to an Ombudsman in banking corporations with limited retail activity, subject to approval from the Supervisor of Banks. The foregoing shall not prevent the handling of public appeals that are not complaints that are sent to the function, provided that the handling of appeals is not negatively impacted.
 - (c) The Ombudsman and employees of the public complaints function shall have the professional qualifications, education and experience that are in keeping with their position and the areas of their responsibility.
 - (d) The Ombudsman and employees of the public complaints commission shall have the proper resources for handling public complaints, including: technological means, proper information systems, qualification and training, access to information systems, and the ability to obtain assistance from other professional entities as required for the purposes of their work.
 - (e) Remuneration for the Ombudsman and his employees shall be determined in accordance with Section 10 of Proper Conduct of Banking Business Directive number 301A "Remuneration Policy in a Banking Corporation."

Roles

8. The Ombudsman and his employees shall fairly and efficiently examine the public's complaints regarding its business with the banking corporation, and shall act objectively and with no bias. Within this framework:

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- (a) The Ombudsman shall determine findings for complaints, including setting out remedies for the parties negatively impacted by the deficiencies, other than in complaints as stated in Section 8(b);
- (b) Should the Ombudsman believe that the handling of complaints has uncovered a material deficiency or a deficiency with significance for groups of customers, he shall report this to his superior and the compliance officer, and shall make recommendations as to the required handling. The superior, at his discretion, shall report on this to the CEO;
- (c) The Ombudsman shall report to the Board of Directors and management, and to other entities as detailed, in this Directive;
- (d) The Ombudsman is permitted to delegate his authorities in accordance with this Directive to employees subordinate to him.

9. How public complaints are to be handled:

- (a) The banking corporation's response to every complaint shall be explained, shall relate to the arguments raised in the complaint, and shall be supported by references as relevant.

Where the banking corporation has accepted the full complaint from the customer, even if above and beyond the letter of the law, the banking corporation shall be permitted not to include that stated at the outset of this Section in its letter of response to the customer.
- (b) If, as a result of investigating the complaint, a monetary or cash value remedy has been determined, the reasoning for how the remedy was determined shall be included in the decision;
- (c) A final response from the banking corporation to the complainant shall include notice of his entitlement to appeal the banking corporation's decision to the Supervisor of Banks regarding issues under his handling;
- (d) The maximum timeframe for providing a final answer from the banking corporation for any complaint shall not exceed 45 days from the date the

complaint was received. With that, in extenuating circumstances, the Ombudsman shall have the authority to extend this date by 15 days. That stated in this Section shall not apply in very extenuating circumstances in which the delay is the result of factors not within the bank's control.

Notice of an extension of the date and the reason for the delay shall be sent to the enquirer prior to the end of the date set out in this Section;

- (e) If a banking corporation is prevented from setting out the reasons for its decision to the complainant as a result of a confidentiality obligation imposed on it based on any law or order from a competent authority, the banking corporation shall note the reasons for the absence of an explanation of its decision to the complainant, provided that this does not contradict the provisions of the law or order from a competent authority;
- (f) A banking corporation shall keep all of the material documents and data concerning the handling of a complaint, for at least a period of ten years, in such a way that the retrieval of the information and processing of the data is possible.

Response to the Banking Supervision Department

10. In cases where the complainant has chosen to appeal the decision of the banking corporation to the Banking Supervision Department, or where for other reasons the complaint is investigated directly by the Banking Supervision Department:

- (a) The banking corporation must respond to the Banking Supervision Department within 21 days from the date of the Department's enquiry, or within a different timeframe set out by the Banking Supervision Department regarding that complaint;
- (b) The banking corporation shall send to the Banking Supervision Department a copy of its response to the complainant, for any complaint that has been sent to it for handling by the Banking Supervision Department, simultaneously with its response to the complainant.

Monitoring and reporting

11. The Ombudsman shall report to the banking corporation's management, at least once every half-year, and to the banking corporation's Board of Directors at least once per year. These reports shall include, among other things: a summary of its activities; data regarding complaints, the handling of which has been completed, and regarding pending complaints during the relevant period; details of amounts returned or paid out as a result of handling complaints, details of additional remedies with monetary significance, and material actions taken as a result of the process of investigating complaints; details of deficiencies found as part of the handling of complaints during the period; examples of complaints handled by it, including justified complaints and complaints where deficiencies were found as a result of handling.

The Board of Directors and management shall hold a discussion of these reports as soon as possible after receiving them.

12. The banking corporation shall send to the Banking Supervision Department, once every half-year, a report on the handling of complaints, including material deficiencies found and how they were handled, in a format as the Supervisor of Banks shall instruct.

Publication

13. A banking corporation shall publish, in a prominent location on its website and in each of its branches, the service covenant of the Ombudsman, including timetables for providing a response to complaints, details on how to submit a complaint, and channels of communication, including online communication.

14. A banking corporation shall publish on its website a report in a format as set out by the Supervisor of Banks, which presents a summary of the data on handling

complaints, the handling of which has been completed during the calendar year. The report shall be published within 90 days from the end of the calendar year.

The information published on the website shall be kept in accordance with the rules set out in the Reporting to the Public Directives regarding keeping information on the Internet.

Updates

Circular 06 no.	Version	Details	Date
2434	1	Original circular	September 30, 2014
2669	2	Update	September 30. 2021