



January 9, 2017

**Circular Number C-06-2522**

To:

Banking corporations and credit card companies

**Re: Closure of Bank Branches and Downsizing of Teller Services**  
(Proper Conduct of Banking Business Directive no. 400)

**Introduction**

1. The purpose of this Directive is to regulate the process of closing bank branches, downsizing teller services, and making the transition to direct service in the banking system—all of which to ensure that the technological revolution, now at the threshold of Israel's banking system, take place optimally and in a manner that will respond to the needs of the diverse customer population.
2. Following consultation with the Advisory Committee on Banking Business and with the approval of the Governor, I hereby promulgate this Directive.

**Synopsis of the Directive**

3. In Section 3 of the Directive, the main concepts that appear in the Directive are defined.
4. Sections 4–8 of the Directive hold the Board of Directors responsible for drafting and approving a dedicated policy on branch-related matters and the transition to direct banking; a work plan; and working procedures that are consistent with the bank's overall strategy and work plan.

**Explanation**

Senior management and the Board of Directors shall make decisions regarding the banking corporation's array of branches in a responsible and thoroughgoing manner. Within this ambit, the banking corporation's branch program shall be reviewed in its comprehensive sense, yielding a complete picture of planned opening and closing of branches, including the opening of mobile or partial-service branches and the downsizing of teller services at branches, and relating to ways of assuring continuity in the delivery of banking services by, *inter alia*, installing automated banking machines at the location of the closed branch, opening mobile or partial-service branches in distant peripheral areas, and so on.

5. In Sections 9–11 of the Directive, it is established that a banking corporation must base its decision on closing a branch or discontinuing teller services at a branch on a prior examination that it shall carry out, in which it will review the potential impact of this decision on the customers of the closed branch, and on the formulation of a systematic plan for continuity of banking services.



### **Explanation**

These sections are meant to assure that the banking corporation will base its decisions on full information, bear in mind the full set of relevant considerations including implications for its customers, and formulate a plan that will allow services to be delivered to customers accessibly and conveniently.

In said prior examination, a banking corporation shall examine the following topics *inter alia*: the age profile of the customers of the branch and mapping of customers who may be harmed by the closure of the branch or the discontinuance of teller services, particularly those who do not use digital banking services (e.g., elderly customers, those with disabilities, etc.).

The maintenance-of-service-continuity plan may comprise various measures, such as expanding the range of banking services provided by automated machines (e.g., paying utility bills, breaking large banknotes, depositing bundles of checks, etc.); expanding the range of banking services on the banking corporation's Web site and at its telephone call centers; opening mobile or partial-service branches; providing courier services; extending the business hours of branches that offer teller services in the vicinity of the closed branch or where teller services have been discontinued in order to make these services more available to the public, including on Fridays, etc.

Within the ambit of the plan, as stated, the banking corporation shall make necessary reference to the varied needs of the customers of the branch and the adequacy of the alternatives that it offers for the consumption of banking services, particularly in respect of the needs of special-needs populations.

6. In Sections 12–14 of the Directive, it is stated that a banking corporation must ensure that even after it closes branches and downsizes teller services at branches, the quantity of banknotes and coins available to customers, and their mix, shall remain adequate for the needs of the banking corporation's diverse customers.

### **Explanation**

When a banking corporation closes a branch or a teller station at a branch, it must deploy in advance in all matters related to the continuity of banking services for its customers, including receiving deposits, making withdrawals, and cashing banknotes and coins in domestic and foreign currency. Said deployment may be undertaken in various ways in keeping with the banking corporation's considerations, e.g, installing automatic machines for withdrawals, deposits, and cashing services and installing automatic machines for depositing of coins in high-demand areas, all of which in a manner consistent with the needs of the banking corporation's customers.

7. In Section 15 of the Directive, it is stated that at branches where teller services are discontinued and replaced with digital banking machines, the banking corporation shall install said machines before the change is made and shall assure the possibility of dedicated human assistance at the branch so that customers of the



branch may adjust to the change more easily. The banking corporation must also train staff at the branch and give them requisite ways and means to guide and help customers.

**Explanation**

The purpose of this section is to assure that customers who find it difficult to adjust to the change will receive optimal human assistance.

8. In Sections 16–17 of the Directive, the standards that banking corporations are expected to meet in respect of service quality at the banking machines are set forth.

**Explanation**

A banking corporation must take all requisite measures to ascertain that customers who use automated banking machines receive high-quality, efficient, and convenient service. Within this framework, the banking corporation shall distinguish, among other things, between banking services that should be available to customers in closed and demarcated foyers and those that may be provided on an exterior wall; specify the transactions that customers should be allowed to do sitting down; examine the potential extent of activity and the expected queues; consider all aspects of customer safety that need to be assured as customers access automatic banking machines for service; and take all necessary measures to prevent fraud, break-ins, etc.

9. In Sections 18–20 of the Directive, it is stated that a banking corporation shall apprise its customers of the closure of a branch or the discontinuance of teller services at a branch sixty days before the change is made, making reference to ways of communicating with customers for delivery of said notice and to the contents of said notice.

**Explanation**

The requirements specified in these sections are meant to assure that customers will receive clear and detailed information about impending changes and will have an opportunity and adequate time to prepare for them. Below are examples of additional relevant information that may be included in the specification of alternatives in the notice to customers that Section 20(b) requires:

- a list of branches of the banking corporation in the vicinity of the branch that was closed;
- services that may be obtained directly (Web site, call center, mobile phone, automated banking machines) and their cost;
- location of ATMs in the vicinity of the branch being closed;
- specification of business days, business hours, and services provided by a mobile or partial-service branch;
- assistance that the banking corporation will make available to customers so that they may learn about and adjust to the use of direct-banking devices.



It is stated for clarity that said notice to branch customers shall be served only after the Banking Supervision Department approves the closure of the branch as set forth in Section 21 of the Directive.

10. Section 21 and Addendum A of the Directive affirm the authority vested in the Supervisor of Banks under Section 28(a) of the Banking (Licensing) Law, 5741-1981, to approve or reject an application to close a branch. Notice to the Supervisor shall include, at the very least, the information appearing in Addendum A of the Directive, so that the Supervisor may make a decision on the basis of the full set of considerations and ensure that the public welfare is upheld.

**Explanation**

In reviewing a banking corporation’s application, the Supervisor of Banks shall emphasize the adequacy of the alternatives that the banking corporation offers its customers and the assistance that it will give them during the transition, so that they may adjust to the change in the delivery of banking services. For this purpose, it is stated for clarity that the banking corporation must call special cases (e.g., proximity of a branch to an old-age home) to the attention of the Supervisor of Banks.

**Effective Date**

11. This Directive shall go into effect on the date of its promulgation, with the exception of Sections 19–20, which pertain to the manner and content of notice to customers about closing a branch or discontinuing teller services at the branch, which shall begin sixty days from the date on which this Directive is gazetted.

**File update**

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

**Updating of this File**

**Remove page**  
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(01/17) [1] 400-1-7

Sincerely,

Dr. Hedva Ber  
Supervisor of Banks