

Banking Supervision Department

Jerusalem, July 31, 2024

Circular No. C-06-2791

Attn: The banking corporations and credit card companies

Re: Explanatory remarks to the Banking (Service to the Customer) (Fees) (Amendment) Rules, 5784-2024

Introduction

1. The Banking (Service to the Customer) (Fees) (Amendment) Rules, 5784-2024 (hereinafter, the **Fees Rules** or the **Rules**) include several updates required for the benefit of banking system customers as well as several updates due to requests by the banking system.
2. The regulation was not accompanied by the publication of a report in accordance with the Principles of Regulation Law, 5782-2021, due to significant activity that was carried out before the law went into effect, in line with the Governor's decision.

Main points of the update

3. **Update the definition of "Small Business"**
Section (4) of the definition was deleted, in Section (5) there were updates. After "except for a corporation lawfully established", a reference was added to "venture capital fund" and to a corporation that presents an investment of a venture capital fund in an amount exceeding NIS 5 million.

Explanatory remarks

The updates to Sections (4) and (5) were made to come in line with the provisions of Section 9i(f) of the Banking (Service to the Customer) Law, 5741-1981 (hereinafter, "the Banking (Service to the Customer) Law" or "the Law". In addition, the definition was updated in order to allow the expansion of the services provided to venture capital funds and to businesses in which a notable investment by a venture capital fund was made.

4. **Addition of Section 4a(e)**

The Section that was added enables a banking corporation to put into effect a request by a customer to join the tracks service or to cancel the service, before the 1st of the month following the date the notice is sent to the customer, provided that it will establish and publicize a reasonable and fair mechanism for calculating the relative portion that will be collected from the customer for the partial month.

Explanatory remarks

Based on the current method established in the Fees Rules, a customer joining or revoking the track service goes into effect from the 1st of the month following the date of the transmission of the customer's notice. The section added is intended to allow the banking corporations flexibility in setting another mechanism, which refers to the part of the month, and provided they will comply with the conditions set in the Section.

5. **Update of the “Price” column in the “teller-executed transaction”, “customer-executed transaction”, “expanded track”, and “expanded plus” services.**

In the “Price” column, the word “supervision” was added.

Explanatory remarks

The update was carried out due to the establishment of the Banking (Service to the Customer) (Supervision of the basic track, expanded track, “expanded plus” track, “teller-executed transaction”, and “customer-executed transaction” services), 5783-2022.

6. **The Fee for “Withdrawal of a Returned Check for Technical Reasons”**

In the Comments column, the following words were added: “If a check is returned for technical reasons due to a banking corporation error, the charge shall be returned to the customer within 5 business days from the date the error is discovered”.

Explanatory remarks

The goal of the comment that was added was to confirm that if a fee was charged to a customer for a check returned due to an error by the banking corporation, the fee that was charged shall be returned to the customer as soon as possible. It is clarified that the above shall not derogate from the Proper Conduct of Banking Business Directive no. 433 on “mistaken registration in a customer's account”.

7. **The Fee for “Locating documents at the customer's request”**

The words “at the customer's request” were added to the name of the service, and in the Price column the words “with the addition of NIS ... per page” were deleted.

Explanatory remarks

In the current period, most documents are sent to customers via electronic means, and therefore there is no significance to the number of pages sent. Accordingly, there is no place to collect additional payment for additional pages.

8. **The Fee for “Handling credit and collaterals” and the fee for “Handling a housing loan request”**

The fee that refers to housing loans that are included in the “Handling credit and collaterals” service was deleted from it, and transferred to a separate service called “Handling a housing loan request” in which required adjustments were made in the Price column, in accordance with Section 9g of the Banking (Service

to the Customer) Law. In addition, a separate fee in respect of “Loans guaranteed by the government” was added to the “Handling credit and collaterals” service.

Explanatory remarks

The goal of the update is to adjust the rules to the amendment to Section 9g(1a) of the Banking (Service to the Customer) Law, which established a maximum price of NIS 360 for the “Handling a housing loan request” service. It should be clarified that there is nothing to prevent collecting the fee in a cases of increasing credit for housing. It is also clarified that in contrast to the “Handling credit and collaterals” fee, the “Handling a housing loan request” fee does not necessitate the rule of computing it only on the difference, as the fee is an amount and not a rate.

In addition, the update is intended to allow a separate presentation under the “Handling credit and collaterals” service of the fee for government-guaranteed loans as determined in the tender published by the government.

9. Bank guarantees

The price structure for a “bank guarantee secured by a specific financial collateral” was updated to shekels. In addition, a “bank guarantee secured by a specific financial collateral for a residential housing rental agreement (with a collateral of up to NIS 50,000)” fee was added. In addition, there were updates of the wording of fee names and clarifying notes were added to the service.

Explanatory remarks

The Banking Supervision Department sees the “bank guarantee secured by a specific financial collateral” service as one with a cost that is mostly operational, with the impact of the size of the guarantee to be miniscule. As such, the collection mechanism was revised from a percentage-based mechanism to a shekel amount, and it was established that the fee for the service would be lower than the minimum fee of a “bank guarantee for any purpose” service. In addition, another service was established, called “bank guarantee secured by a specific financial collateral for the purpose of a residential home rental agreement”. The cost of this service shall be lower so that the operation will be simpler and also in order to make things easier for renters. This service was limited up to NIS 50,000 for collaterals, a threshold intended to separate out luxury homes, with the goal of making the cost of the service even more inexpensive.

10. Early payment—operating fee

The words “the banking corporation may charge the fee once, at the most, for an early payment of the loan, for all tracks, repaid at that time.” were added in the comments column. In addition, there was a technical revision of the name of the Banking Order dealing with early repayment.

Explanatory remarks

The addition is intended to clarify how the fee is to be collected in cases in which the number of tracks in the loan. Such a clarification appears in the regulator’s

stance in class action 11593-10-13 **Ayala Malka Maimon vs. Leumi Mortgage Bank Ltd.** and in the Supervisor's letter dated September 13, 2021.

11. **“Automatic coverage of a debit balance in a foreign currency account” service**
A new service that was added to the Rules.

Explanatory remarks

The service was approved in accordance with Section 9g(e) of the Law and published in Reshumot (the official gazette)¹, and now is integrated into the Fees Rules for the completeness of the Rules. At the same time, and in order to enable the banking corporations more flexibility in how this service is provided, note (3)—“the calculation shall be carried out in line with the representative exchange rate for converting the relevant foreign currency, as of the conversion date; in the absence of a representative exchange rate, the calculation shall be carried out in line with conversion rules that will be determined and published by the banking corporation”—shall be deleted.

12. **Benefits for e-banking**

Appendix E of the fee schedule was expanded in order to include benefits in the price of services offered via e-banking channels. The name of the appendix was updated accordingly.

Explanatory remarks

Appendix E was intended to make things easier for customers by presenting in a concentrated manner the existing benefits in e-banking channels. In the current update the appendix was expanded to include all the e-banking channels, including the phone center. This was with the goal of enabling the banking corporations that are interested in doing so, to offer benefits to customers who carry out activities via the various channels, including via a manned call center. It should be clarified that the said update is not sufficient to obligate the providing of these services and that it is a business decision of the banking corporations.

13. Adjustments were made in other addendums to the fee schedule.

14. **Commencement**

The amendments to the Banking Rules shall go into effect 6 months after the revision is published in Reshumot.

Respectfully,

Daniel Hahiashvili
Supervisor of Banks

¹ Publications file 10527 dated May 17, 2022.