



February 25, 2021

Circular Number C-06-2653

Attn:

Banking Corporations and Credit Card Companies

Re: Sending Notices via Means of Communication

(Proper Conduct of Banking Business Directive no. 420)

Introduction

1. In view of Amendment 14 to the Checks without Cover Law, 5741-1981, the Directive referenced above needed to be amended.
2. After consulting with the Advisory Committee on Banking Business Affairs and with the approval of the Governor, I have amended this Directive.

The amendments

After Section 10a, the following shall appear:

“Notice before refusal of check

- 10b. (a) In a case where a check is presented for payment and there are insufficient funds in the account to allow payment to take place, notice from the banking corporation to the customer concerning the need to deposit funds into the account in accordance with Section 7a(a) of the Checks Without Cover Law shall be sent to all registered holders of the account by 8:00 a.m. on the business day following the business day on which the check is presented for payment.
- (b) Notwithstanding the provisions of Subsection (a), in accounts that are registered under corporate ownership, the banking corporation shall send the notice specified in Subsection (a) to all authorized signatories of the account who are authorized to take action to cover the check that has been presented for payment, in accordance with the most recent list of authorized signatories in the banking corporation’s possession.
- (c) Said notice shall be sent digitally, at the very least over a communication channel that allows immediate and accessible sending of notices, such as SMS or voice message, as the case may be, or by email, all of which, insofar as the bank has the relevant communication details. If the banking corporation receives indication before the deadline for the depositing of funds that the customer has not received the notice, it shall make a reasonable effort to send the notice again. It shall also make use of a mechanism that redials to a customer who has not responded to a voice message.



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- (d) Said notice shall apprise the account holders or authorized signatories of the need to deposit funds into the account in order to prevent the check from being refused due to insufficient funds, and shall include the following details at the very least:
1. the amount of the check;
 2. the deadline for depositing funds into the account, as specified in the Checks without Cover Law;
 3. ways in which the customer may deposit said funds; within this construct, it shall be made clear to the customer that he or she can use only such methods that will assure the finality of the receipt of funds into the account by said deadline;
 4. ways in which the customer may receive additional information.
 5. a clarification to the effect that depositing the sum of the check will not prevent its being refused for a reason, if any, other than insufficient funds in the account;
 6. a clarification to the effect that situations may occur where funds cannot be deposited to the account and the check will be refused, e.g., if the account with the bank has been closed; the customer shall also be advised that if the account has been attached, funds deposited into it may be seized in favor of the attachment.
- (e) In a case where several checks are presented for payment at the same time and the account lacks the funds to cover them all, they may be presented in one notice instead of sending a separate notice for each check. In this case, the banking corporation may present in said notice the total sum of the checks that are due for payment by the deadline.
- (f) A banking corporation shall act in accordance with Subsections (a)–(e) supra even toward customers who do not wish to subscribe to the service.
- (g) The provisions of this Section shall not apply in a case where the banking corporation knows, before it sends notice, that the check will be refused for another reason, on grounds of which it will not count in the tally of checks returned due to insufficient funds.”

Explanatory remarks

The Section was added to the Directive pursuant to Amendment 14 of the Checks Without Cover Law, 5741-1981, which establishes the requirement of sending notice about the need to deposit funds into an account in order to prevent a check from being refused, and authorizes the Supervisor to promulgate directives in this matter. The Section applies this authority and set guidelines concerning the details of said notice, the parties who are to receive said notice, the time by which said notice shall be sent, and the ways in which it shall be presented to the customer. It is stated for clarity that a banking corporation is ordered to send the notice by 8:00 on the business day following that on which the check is presented for payment, at the very latest, in order to give the customer as much time as possible to deposit funds into the account in order to prevent the check from being refused.



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3. This amendment shall go into effect on the day Amendment 14 to the Checks Without Cover Law, 5741-1981, goes into effect.

File update

4. Update pages for the Proper Conduct of Banking Business Directives file are attached. The following are the update instructions:

Remove page

420-1-6 (3/18)[5]

Insert page

420-1-6 (2/21)[6]

Sincerely,

A handwritten signature in black ink, appearing to be 'Yair Avidan'.

Yair Avidan
Supervisor of Banks