

BANK OF ISRAEL

Office of the Spokesperson and Economic Information

April 15, 2019

**Semiannual Report on the Prices of Common Banking Services**

**First Half of 2018**

Supervisor of Banks Dr. Hedva Ber presented the **Semiannual Report on the Prices of Common Banking Services for Households** to the Knesset’s Economic Affairs Committee. The report is based on banks’ and credit card companies’ reports of actual income from fees collected in the first half of 2018.

**Main points of the report:**

* Over the past 9½ years, there was a decline of approximately 29 percent in the share of fees collected by banks (the ratio of banking corporations’ total income from fees to total activity), with that ratio remaining stable in the past two years. In the first half of 2018, the stability in the ratio continued, similar to 2016 and 2017.
* The average monthly cost for an account for households and private banking, for the first half of 2018, was NIS 24.8, similar to 2017 (NIS 24.6). During the past 7½ years (2011–June 2018) there was a decline of approximately 15.6 percent in the average monthly cost for a household account and private banking account. This cost is made up of the cost of current-account activity, which declined by about 36 percent, and the cost of a credit card which increased by about 31 percent, an increase that derives mainly from the trend of increase in the quantity of cards held by customers per individual account.
* A significant measure that will go into effect this year, is expected to contribute to reducing fees in small business and authorized-business accounts: proactive enrollment in the basic or expanded fee track service, whichever is the most worthwhile for them, pursuant to the requirement of the Banking Supervision Department.
* Within the framework of the implementation of the Reducing the Use of Cash Law, and with the goal of encouraging private customers and small businesses to deposit for custody post-dated endorsed checks, before the Law goes into effect, a supervisory Order was published, which reduces the fee in respect of depositing checks into custody and establishes it at only NIS 2, from April 15, 2019 through July 1, 2019, the day the Law goes into effect.

The Bank of Israel urges the public to consume banking products and services in a wise and informed manner, and invites the public to read the “Banking ID Card” that was issued on February 28, 2019, which presents an overall picture of the account.

[For information on the issue on the Bank of Israel website, click here.](http://www.boi.org.il/he/ConsumerInformation/ConsumerIssues/Pages/BankID.aspx)

1. **The banking system’s income from fees**

**Development of total income from fees relative to banking system assets**

All banking activity segments (households, private banking, and businesses)

In the first half of 2018, there was continued stability in the ratio of total fee income in the banking system to the scope of activity, similar to 2016 and 2017.

During the past 9½ years, there was a decline of about 29 percent in the share of the banking system’s income derived from fees, out of total activity. The decline is attributed to the impact of a range of activities by the Banking Supervision Department in the area of fees.

1. **Comparison of common current account fees, comparison of basic and expanded track prices at various banks[[1]](#footnote-1), and cost of managing a current account:**

**2.1 Comparison of fees – teller-executed transaction and customer-executed transaction**

**Direct banking saves money**

**The cost of a customer-executed transaction is about 75 percent less, on average, than the cost of a teller-executed transaction. Customers interested in reducing the fees they pay, can switch to advanced technological means offered by direct banking. Use of direct channels provides greater availability (24/7), and maximum convenience in obtaining banking services.**

**The cost of a teller-executed transaction and the cost of a customer-executed transaction in the banking system, as of March 1, 2019**



A **“teller-executed transaction”** includes each of the following: depositing cash, withdrawing cash, generating and providing printouts at the customer’s request, transferring or depositing to another account, cashing a check, depositing a check (for every batch of up to 20 checks), paying a voucher, obtaining change.

This fee is collected where these transactions are made via a bank teller, including through a manned call center.

A **“customer-executed transaction”** includes each of the following: Crediting an account through a clearing house, charging via a credit card, depositing cash through an ATM, transferring or depositing to another account, paying a voucher, information query on any matter (from the seventh query per month), withdrawing a check, depositing a check (for every batch of up to 20 checks) including through a service box, charging an account through an authorized debit or standing bank order.

This fee is collected where these transactions are made through a clearing house, ATM, the bank’s website, or mobile phone application.

**The trend of shifting to carrying out banking transactions via direct channels continues**

Following are examples of common activities carried out through those channels:

**Percentage of customer-executed transactionsa out of total common current-account transactions, by type of activity**

**2018 compared with 2017 and 2016**

**2.2 The fee tracks service**

**The fee tracks service—a uniform and supervised basket of services for managing a current account**

**Banking Supervision Department data indicate that 64 percent of total accounts pay less than NIS 10 per month on average. An additional 9 percent already joined the tracks service. For the remaining 27 percent, it is recommended to consider joining the service.**

Beginning on April 1, 2014, banks are required to offer their customers the fee tracks service (basic and expanded) in a current account, meaning a fixed monthly payment for carrying out several predefined activities (teller-executed and customer executed). A bank that chooses, may also offer an expanded-plus track.

Over the years and as a direct result of the Banking Supervision Department’s activities, the percentage of customers who were offered to join the tracks service has declined gradually, from 30 percent in 2016 to 27 percent in the first half of 2018, indicating that more customers are paying lower amounts of fees in their current account.

**Joining the tracks service is easy and straightforward, and can be done via a clerk at the branch or via direct means.**

**Segmentation of accounts (thousands)—enrollment in fees track, June 30, 2018[[2]](#footnote-2)**



**The basic service track for households**

**Cost comparison by: Teller-executed and customer-executed\* fee schedules, actual cost without a fee track\*\*, and basic service track cost\*\*\*, January–June 2018**



\* **Teller-executed and customer-executed fee rates:** Cost of 1 teller-executed transaction & 10 customer-executed transactions, per the price in the bank's fee schedule for such activities.

\*\* **Actual cost without a fee track:** Cost of 1 teller-executed transaction & 10 customer-executed transactions, per the price that is actually charged for such activities, in accounts that haven't joined the fee tracks service, (calculated based on revenue data reported by banks to the Banking Supervision Department for the first half of 2017).

\*\*\* **Cost of basic track**.

The **basic service track** includes up to 10 customer-executed transactions and up to one teller-executed transaction per month. Its price is supervised and cannot exceed NIS 10.

* The cost of the basic track incorporates a discount compared with the fee schedule rates for teller-executed transactions and customer-executed transactions.
* For households, it is worth joining the **basic** fee track rather than paying for each transaction separately at most banks, except at Bank Yahav, Bank Massad and Bank Otsar Ha-Hayal.[[3]](#footnote-3) At the Bank of Jerusalem, in the period reported, a monthly fee of NIS 6.5 was charged with no limit on the number of transactions in the current account.

**The expanded service track provides savings for households and small businesses that carry out a relatively large number of activities**

**Cost comparison by: Teller-executed and customer-executed fee schedules\*, actual cost without a fee track\*\*, and expanded service track cost\*\*\*, January–June 2018**



\* **Teller-executed and customer-executed, fee rates:** Cost of 10 teller-executed & 50 customer-executed transactions, per the price in the bank's fee schedule for such activities.

\*\* **Actual cost without a fee track** Cost of 10 teller-executed & 50 customer-executed transactions, per the price actually charged for such activities in accounts that haven't joined the fee tracks service, calculated based on revenue data reported by banks to the Banking Supervision Department for the first half of 2017.

\*\*\* **Cost of expanded track.**

The **expanded service track** includes up to 50 customer-executed transactions and up to 10 teller-executed transactions, and ranges between NIS 20 and NIS 30 at the various banks. This track may be appropriate for small businesses and for households that execute a relatively large number of transactions.

* On the expanded track, the savings to the customer can reach from tens of shekels per month up to hundreds of shekels per year.
* It is worth joining the **expanded** service track rather than paying for each transaction separately, except at Bank Yahav (At Bank Massad the payment was the same).
* In the overall banking system the expenditure in respect of fees for the total transactions included in the **basic** service track as well as in the **expanded** service track is lowest at Bank Yahav, excluding the Bank of Jerusalem which charges a fee of NIS 6.5 for an unlimited number of transactions. Mercantile Bank charges the highest total fee. (Among the five large banks: the expenditure is lowest at Discount Bank while Mizrahi Bank charges the highest.)

**2.3 The cost of managing a current account and holding a credit card for a current account—households and private banking**

**The average monthly cost of a current account for households and private banking** is calculated as the total revenue from fees charged directly by the banking corporations for households and private banking consumers[[4]](#footnote-4), relative to the number of household and private banking current accounts, for a month, divided among bank activity segments.

**Development of the average monthly cost for managing a current account and holding a credit card for households and private banking in the banking system, in NIS, (2011– June 2018):**



* The average monthly cost in the first half of 2018 totaled about **NIS 24.8** per household and private banking account.
* In the past seven and a half years (2011–June 2018) there was a **decline** of about **15.6 percent** in the average cost, per account, for managing a current account and holding a credit card.
* **The average monthly cost of managing a current account and receiving information totaled approximately NIS 13.1**, in the first half of 2018, for a household account and private banking account. This cost has declined by a cumulative 36 percent during the past seven and half years. The first half of 2018 has been stable compared with 2017. This cost includes the following services: basic banking activities (such as cash deposit/withdrawal, bank transfers, etc.) carried out by a teller or via direct channels, fee tracks service, check transactions, issuing standard reports, receiving information by means of communication at the customer’s request (phone, mobile device, email) and locating documents.
* **The cost of holding and using a credit card totaled approximately NIS 11.8 per month, on average.** In the past seven and a half years, there was an increase in this expenditure of about 31 percent, cumulative. This increase derives from a trend of increase in the number of cards held by customers in an individual account. During the course of the period, the ratio of number of cards per account increased by about 31 percent as well, from 1.1 to 1.44.

In the first half of 2018 there was a slight increase of about NIS 0.40 compared with 2017. This increase is explained by, as noted, the continued trend of increase in the number of cards held in an account. This increased cost includes mainly: card fee (the average monthly card fee, weighted by the number of cards in the account, is 9.1 NIS) and additional costs in respect of withdrawing foreign currency abroad, transactions abroad, etc.[[5]](#footnote-5)

1. **Fee tariffs in respect of foreign currency transactions and withdrawals via payment card**

**Comparison of fee schedules in respect of foreign currency transactions and withdrawals via payment cards**

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| --- | --- | --- | --- |
| **Fee for foreign currency activity** | **Visa Cal–Cartisei Ashrai Leisrael (Israel Credit Cards)** | **Leumi Card** | **Isracard** |
| **Fee for foreign currency transactions** | 2.8% | 3.0% | **2.3%** |
| **Fee for foreign currency withdrawals** | 3.5% | **3.0%** | 3.9% |

**Fee in respect of foreign currency transactions and withdrawals**—the fee is calculated as the share of total foreign currency transaction value or as the share of the amount withdrawn in foreign currency abroad, according to the representative rate of the converted amount in the original currency in which the transaction was executed. In the absence of a representative exchange rate, the fee will be calculated as the amount of the charge in the conversion currency of the international acquirer.

**The Banking Supervision Department urges the public to compare the service fees among the companies, and to execute their credit card transactions and withdrawals in an informed manner.**

1. **Steps to reduce the public’s costs of banking services—**

**Amendments to the Fees Rules that will go into effect during 2019**

* An additional process initiated by the Banking Supervision Department to integrate the fee **tracks service** as an easing for **small business and authorized businesses**, is intended to allow the reduction of fees for managing a current account. Within the framework of the amendment, the banking corporations will be required to go through all the accounts of their customers that are small businesses (as defined by law) or authorized businesses (as defined in the VAT Law, 5776-1975), to identify those for whom joining the basic or expanded fee track service pays, and to switch them proactively to the fee track that is worthwhile for them, while notifying them in writing via the method that the banking corporation usually sends notifications to that customer.
* Reviewing closely the way in which the banking corporations decide to **enroll a senior citizen or person with disabilities in the basic fee track**, in accordance with the findings of the follow-up after the actual implementation of the proactive enrollment of such customers to the basic track, beginning from the application of the directive from September 2016. The overall decision is in accordance with the same rationale applied to small businesses and authorized businesses.
* The requirement that banking corporations present the information on the cost of withdrawals on the opening screen of automatic devices, in accordance with the types of devices and cards, was expanded. Moreover, an option was established for presenting the said information via notation on the actual device.
* The ways to receive fee schedules were expanded, so that in addition to the banking corporation’s branches and the website’s homepage, they will be available via recorded phone call and in the customer’s personal area on the banking corporations’ website.
* The customer’s options to notify the banking corporation of his decision to join the tracks service or to cancel his participation in it were adjusted, and it was established that notice shall be given via the customer’s preferred means of communication offered by the banking corporation.
* The “insured bank collateral in a specific monetary deposit” service was defined in the Rules as a service distinct from the “bank collateral” service, and the banking corporations will be obligated to establish the minimum fee and the fee schedule calculated as a percentage, at a lower level than the parallel fee schedules in respect of the “bank collateral” service.
* Ahead of the going-into-effect, on July 1, 2019, of the provisions in the Reducing the Use of Cash Law, 5778-2018, that impose a limit on the use of checks, the Governor of the Bank of Israel declared, through an Order, that the service of depositing a post-dated check by individuals and small businesses is a supervised service, with a maximum price of NIS 2 per deposit. The Order will be in effect for a limited period of about 3 months, beginning from April 15, 2019, through June 30, 2019, and will apply to endorsed checks. The implication of the limitations on the use of checks is that after July 1, 2019, there is a concern that an endorsed check, when deposited into a current account at a bank, will not be honored, and will be returned to the check depositor. In order to prevent such a situation, and to encourage the public to deposit such checks for custody at the bank before the law goes into effect, the process of reducing the cost of the service was instituted, for a limited period, until the law goes into effect for customers to whom the new law applies.

**APPENDIX**

**Summary of measures adopted in the areas of fees in 2013–June, 2018**

| Number | Changes/steps regarding fees | Valid as of |
| --- | --- | --- |
| 1. | Publication of draft amendment to the Fees Rules, for public comment | Oct. 25, 2018 |
| 2. | Reduction of capital allocation against **bank collateral backed by a financial deposit** | Dec. 18, 2017 |
| 3. | Obligation to set reduced fee schedules for all **customer-executed transactions**, publication of comparison between fees on teller-executed transaction and reduced fees on customer-executed transactions | Nov. 1, 2017 |
| 4. | Setting a different fee for a **walk-in customer** | Nov. 1, 2017 |
| 5. | Setting an **ATM withdrawal fee for a distant machine** | Sep. 24, 2017 |
| 6. | Adding **pension advisory service** to fees rules | July 19, 2016 |
| 7. | Issuing a **notice to a customer** after a half-year from closure of the account, with no fee | July 19, 2016 |
| 8. | Reducing the amount of the **fee in respect of changing the repayment date of a housing loan,** from NIS 125 to the cost of a teller-executed transaction | July 19, 2016 |
| 9. | **Initiated additions of senior citizens and disabled customers** to the basic fee track | July 19, 2016 |
| 10. | Regulating fees in respect of **operational services for a small business in respect to acquiring services** | July 1, 2015 |
| 11. | **Simplification of rules for charging conversion fee** in respect of a forex transaction or forex withdrawal, so that only one fee will be charged, at the representative rate | July 1, 2015 |
| 12. | **Definition of small business—**the definition was changed such that a corporation that submits an annual financial statement showing that revenue in the year preceding its publication does not exceed NIS 5 million, will not be required to submit an additional financial statement (which it would have had to do each year, permanently, to benefit from the reduced fee schedule). The amendment means that the burden of proof shifts to the banking corporation, with the goal of making it easier for small businesses to utilize the fee schedule for individuals and small businesses. | Feb. 1, 2015 |
| 13. | **Housing loan management fee—**cancellation of the housing loan management fee. The fee was under supervision and its amount was limited to NIS 2 per month per loan (NIS 24 per year), which was collected with the monthly payment of the housing loan. | Feb. 1, 2015 |
| 14. | **Transferring via the Zahav (RTGS) system—**the fee for transferring money—up to an amount of NIS 1 million—in real time via the Zahav (Real Time Gross Settlement) system will be limited to the cost of one teller-executed transaction. | Feb. 1, 2015 |
| 15. | **Fee in respect of issuing ownership confirmation—**a banking corporation will not be permitted to charge a fee in respect of issuing confirmation of ownership of a bank account, except beginning from the second confirmation issued in a calendar year. | Feb. 1, 2015 |
| 16. | **Activity using an immediate debit card (also called debit card)—**cancellation of the possibility of charging a customer-executed transaction fee for such service. The goal of the amendment is, among other things, to increase the use of this means of payment, as a substitute for the use of cash. | Feb. 1, 2015 |
| 17. | **Cancelling the fee for a deferred payment—**in respect of installment payments on a payment card (which had been charged in respect of each installment of the payment transaction). | Feb. 1, 2015 |
| 18. | **Tracks service—**Choosing a payment track for managing a current account via a uniform basket of services in managing a current account, out of two identical options (a basic track and an expanded track) offered by all banks in Israel. | Apr. 1, 2014 |
| 19. | Requirement to publish a **direct link to fee schedules** on banking corporations’ websites, so that the information is available and accessible to customers. | Apr. 1, 2014 |
| 20. | Changing the **definition of “small business”**—a change that enables more small businesses to be included in the retail fee schedule. | Aug. 1, 2013 |
| 21. | Establishing that the supervised price of transferring a securities deposit from one bank to another applies as well to **transferring a securities deposit to outside the banking system.** | Jan. 1, 2013 |
| 22. | Anchoring in legislation a Banking Supervision Department determination that a lower fee is to be charged for a **collateral secured by a financial deposit** | Jan. 1, 2013 |
| 23. | Requirement to set a **maximum amount of a fee to buy/sell** Israeli securities | Jan. 1, 2013 |
| 24. | Cancellation of **small business management fee**, and equalization of small business status with household. | Jan. 1, 2013 |
| 25. | Cancellation of fee in respect of **changing the payment date for a credit card** | Jan. 1, 2013 |
| 26. | Raising the exemption on the **credit and collateral handling fee** for non-housing loans, from NIS 50,000 to a ceiling of NIS 100,000 | Jan. 1, 2013 |
| 27. | Requirement to set **differential pricing in respect of securities** activities through different channels | Jan. 1, 2013 |
| 28. | Cancellation of the **fee for an information card and for a cash withdrawal card** | Jan. 1, 2013 |
| 29. | Cancellation of **securities management fee in respect of “makam” and money market funds** | Jan. 1, 2013 |
| 30. | **Amending the definition of “senior citizen”,** with the goal of automatically according to senior citizens (so that it is not contingent on presenting a certificate) the right to receive 4 teller-executed transactions per month at the price of a customer-executed transaction | Jan. 1, 2013 |
| 31. | **Repricing fees in respect of securities.** A guideline issued to banking corporations to carry out a repricing of fees for buying and selling securities, in a manner that allows comparison between banks. | Jan. 1, 2013 |
|  | **Supervisory Orders** | **Publication date** |
| 32. | **Supervisory Order on Standard Reports—**maximum amount of NIS 15 | July 19, 2016 |
| 33. | **Supervisory Order on Interchange Fee—**A supervisory order on service provided by an issuer to a merchant acquirer with regard to acquiring debit transactions in four-party model. The Order sets a maximum amount for the fee of 0.3 percent. | Aug. 26, 2015 |
| 34. | **Supervisory Order on service provided by acquirer to discounting services provider in payment card transactions—**setting a maximum price of NIS 20, or NIS 10 of the merchant is a small business | May 10, 2015 |
| 35. | **Supervisory Order on alerts and notifications service—**a maximum fee amount of NIS 5 | May 10, 2015 |
| 36. | **Supervisory Order on Basic Track service—**a maximum fee amount of NIS 10 | March 24, 2014 |

1. The figures are in NIS, and updated to March 1, 2019. [↑](#footnote-ref-1)
2. Based on banks’ reports on income from common current account fees, on enrollment in tracks, and total existing accounts. [↑](#footnote-ref-2)
3. Bank Otsar Ha-Hayal was merged into First International Bank of Israel, beginning from 2019. [↑](#footnote-ref-3)
4. In accordance with data reported to the Banking Supervision Department by the banking corporations, and financial statements. [↑](#footnote-ref-4)
5. The average monthly card fee is calculated as total card fees charged by credit card companies and banks relative to the number of cards, for one month. The average monthly card fee for domestic, international, and gold cards is NIS 5.5. [↑](#footnote-ref-5)