



November 13, 2018

Circular Number C-06-2575

To:

The banking corporations and credit card companies

Issue: Opening and Managing a Current Account with no Credit Facility
(Proper Conduct of Banking Business Directive no. 422)

Introduction

1. In the previous amendment of this directive, dated March 26, 2018, there was an expansion of the activity that a banking corporation is required to provide in accounts with no credit facility, but the banking corporation's ability to require the authorization of a trustee or special manager for that, for a customer in bankruptcy proceedings, was not updated accordingly.

In addition, the previous amendment established Section 6(e) of the Directive, referring to a case in which a customer asks to open an online account and the banking corporation conditioned the continuation of the process on arriving at the branch. Due to comments that we received, it was required to update the section.

2. In view of the above, and after consulting with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, I have amended this Directive.

The updates to the directive

3. Section 5(b) was revised, and the determination was added to it that a banking corporation may request the authorization of a trustee or special manager, in a case of a customer in bankruptcy proceedings, even for executing transactions via e-banking channels. Likewise, it was clarified that to the extent that a banking corporation requests the authorization of a trustee or special manager, it must verify that the request is submitted to the customer at the first opportunity.

Explanation

The use of e-banking channels is a basic need that is increasing among banking corporation customers. Carrying out activities via these channels enables the customer to manage independently and conveniently from any place, at any time, independent of the



branch's work hours, and reduces account management costs. Therefore it was established in the previous amendment of the directive, dated March 26, 2018, in Section 12(c), that a banking corporation is not to unreasonably refuse a customer's request to carry out activities in the account via e-banking channels.

However, Section 5(b), in its previous formulation, limited the banking corporation's ability to request the authorization of a trustee or special manager, in a case of a customer in bankruptcy proceedings, to only the actual opening of the account and the issuance of means of payment. With the expansion of the requirement to enable the customer to execute e-banking transactions, it became necessary to broaden the contents of the section accordingly, and to enable the banking corporations to receive the authorization of a trustee or special manager for this as well.

In order to avoid unnecessary bother for the customer in repeatedly contacting the trustee or special manager, each time separately, with regard to opening an account, issuing means of payment and executing e-banking transactions, it was clarified in the directive that a banking corporation that is interested in said authorization shall request it once, to the extent possible. If the customer requested the receipt of said services at different times, the banking corporation shall request the authorization very soon after the date that it became aware that the customer is interested in receiving the service.

4. Section 6a was added to the Directive, and replaces Section 6(e) that was deleted, with the goal of clarifying the requirements in situations in which a customer requests to open an online account, and the banking corporation conditioned the continuation of the process on arriving at the branch.

Explanation

The goal of the section is to verify that even a customer who requests to open an online account and is referred to the branch for the continuation of the process, shall receive information from the banking corporation about the standard documents that the customer must bring to the branch in order to open an account, with the goal of saving the customer bother. In view of the computer-related complexity this involves, the option was established for this listing to be in a uniform format and without specific reference to the characteristics of the particular customer, and provided that it includes the list of standard authorizations the bank generally requests from customers seeking to open an account with no credit facility, among other things in the conditions detailed in Section 5 of the directive. It should be clarified that the banking corporation may include in the authorization a clarification to the customer that there may be additional approvals required from the customer after arriving at the branch.



Effective date

5. The directive will go into effect a half-year after its publication. A banking corporation may act on the basis of this directive from an earlier date than that.

File update

6. Attached please find update pages to the Proper Conduct of Banking Business Directive file. Following are the update pages:

Remove page

(3/18) [2] 422-1-4

Insert page

(11/18) [3] 422-1-4

Sincerely,

Dr. Hedva Ber
Supervisor of Banks