

## **Distribution of Credit Cards of Issuers Bound to a Banking Corporation by a Distribution Agreement**

### **Introduction**

1. In Section 7f of the Banking (Service to the Customer) Law, 5741-1981 (hereinafter: **the Law**), it is stated that when a customer approaches a banking corporation in order to enter into a credit-card contract with it, or when a banking corporation approaches a customer with an offer to enter into such a contract, the banking corporation must distribute the credit cards of issuers bound to it by a distribution agreement as defined in said Section.
2. Section 7f of the Law defines the “distribution” of credit cards as the performance of any of the following actions: presenting a customer with details of the issuers and the credit cards that they offer; sharing the customer’s details with issuers bound by a distribution agreement at the customer’s request; and presenting the credit card to the customer at the branches of the banking corporation at the customer’s request.
3. Section 7f(c) of the Law goes on to state that a banking corporation shall not refuse on unreasonable grounds to enter into a distribution agreement with an issuer as set forth in this Section, and also explains that setting unreasonable conditions is tantamount to unreasonable refusal for this purpose.
4. Within the framework of this Directive, instructions shall be set forth concerning processes of distributing credit cards under Section 7f of the Law, including in matters in which the Supervisor is empowered to lay down instructions under Sections 7f(b) and 7f(c) of the Law.

### **Incidence**

5. This Directive shall apply to a banking corporation as defined in the Law (hereinafter: “**banking corporation**”).

### **Definitions**

6.	<b>“Distribution” of a credit card, “distribution agreement,” “credit cards,” “credit-card contract,” and “issuer bound by a distribution agreement”</b>	As defined in Section 7f of the Law
	<b>“Other distributor”</b>	A “financial entity” as defined in the Law that is an issuer, with the exception of an entity listed in Paragraphs (4), (6), (7), and (10), of the definition of a “financial entity” in Section 1 of the Law, that is not supervised under law for the purpose of its financial activity as an issuer, that has approached a banking corporation and asked it to enter into a distribution agreement,

		or an issuer that bound by a distribution agreement;
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**Terms of the distribution agreement**

7. A banking corporation shall not be a party to a credit-card contract that is concluded between a customer and another issuer within the framework of a distribution agreement.
8. A credit card issued by another issuer within the framework of a distribution agreement shall not include markings of the banking corporation and shall not entitle the customer to benefits of any kind from the banking corporation.
9. The distribution agreement shall include a mechanism that allows another issuer to update the details of the credit card that it offers under the distribution agreement, such that the banking corporation must present said details to the customer with reasonable frequency.
10. Within the framework of a distribution agreement, a banking corporation may charge another issuer reasonable recompense for providing the distribution services, subject to the following conditions *inter alia*:
  - (a) Said recompense shall not be associated with the following: characteristics of the customer; characteristics of the customer’s use of the credit card issued; the extent of credit made available to the customer; fees charged to the customer; or fees received for the customer’s use of the credit card.
  - (b) Said recompense shall be set at a fixed sum that is meant to reflect the distribution efforts made.
11. A banking corporation shall not charge different recompense from different other issuers for distribution services given under similar conditions.
12. The distribution agreement shall not include an obligation by the other issuer to share information with the banking corporation about the customer and the uses of the credit card, insofar as a card is issued, with the exception of:
  - 12.1 sharing of information by the other issuer with the banking corporation about the fact of issuance or non-issuance, insofar as this information is needed to calculate the recompense set forth in Section 10, or for the purpose of submitting a report by the banking corporation to the Banking Supervision Department in accordance with the directives of the Banking Supervision Department;
  - 12.2 sharing of payment demands via crediting-of-account authorization for ongoing activity with the issued credit card;
  - 12.3 sharing of information that the other issuer must share by law, including under Section 7g of the Law, or under the Financial Information Services Law, 5782-2021.
13. If the banking corporation and the other issuer enter into another contract for the delivery of services, the banking corporation shall not bundle the distribution agreement with the other contract and shall not set conditions in the distribution agreement due to the other contract or set conditions on the other contract due to the distribution agreement.

### **Method of distribution**

14. If a customer approaches a banking corporation and asks it to enter into a credit-card contract with him or her, or if the banking corporation approaches a customer with an offer to enter into such a contract, the banking corporation shall present the customer with details relating to all other issuers bound to it in a distribution agreement for the purpose of the same communication channel, and also reasonable details concerning the credit cards that they issue, in such a way as shall promote the goals of Section 7f of the Law. Said presentation may be made by referring the customer to a written summary of the details below at the very least.
15. Another distributor may request the following:
  - 15.1 The distribution agreement with it shall relate only to some of the relevant communication channels by which the banking corporation approaches the customer with an offer to enter into a contract or allows the customer to approach it with a request to enter into a contract.
  - 15.2 In the event that the banking corporation's cards are distributed on internet channels, the banking corporation shall refer the customer to the internet channels of the other issuer.
16. A banking corporation shall not present the customer with a stance or a warning in respect of the nature of the credit cards that the other issuer issues, in such a way as to have an adverse effect on the customer's decision to acquire a credit card issued by another issuer or to exchange a credit card issued by the banking corporation with a card issued by another issuer.

### **Compulsory sharing of details by banking corporation with customer**

17. When a credit card is distributed to a customer, a banking corporation shall present the customer with the information obtained from the other issuer and, at the very least, with the following details insofar as, and as, are shared with it by the other distributor:
  - 17.1 the name of the other issuer and the type of card that it offers;
  - 17.2 a condensed rate sheet of the other issuer's credit card;
  - 17.3 the benefits associated with the credit card, insofar as the other distributor wishes to offer such;
  - 17.4 the credit facility offered by means of the card, if the other issuer wishes to offer one to the customer, and, if it does not wish to do so, the date on which the customer will know what said offered facility is.
18. If a customer asks the banking corporation for additional details about a credit card offered by another issuer that are not in the banking corporation's possession, the banking corporation shall refer the customer to the other issuer in order to obtain them or shall offer to share the customer's details with the other issuer.

### **Unreasonable refusal**

19. If a banking corporation sets conditions for entering into a distribution agreement with another issuer in contravention of this Directive, said condition shall be viewed as an unreasonable condition under Section 7f(c) of the Law.
20. If a banking corporation sets a condition by which the distribution of a credit card under the distribution agreement shall be carried out vis-à-vis all customers of the banking corporation and

not vis-à-vis a group of customers that has certain characteristics, said condition shall not be considered an unreasonable condition.

**Reporting**

21. A banking corporation shall report the following data to the Banking Supervision Department: the number of distribution agreements in effect as of the reporting date; the total recompense that the banking corporation received for distribution activity during the reporting period; and the total number credit cards issued for the other issuers pursuant to the distribution agreements.
22. Another issuer bound to a distribution agreement shall report the following data to the Banking Supervision Department: the number of distribution agreements in effect as of the reporting date; the total recompense paid by the other issuer to banking corporations on account of distribution activity during the reporting period; and the total number of credit cards issued pursuant to the distribution agreement.
23. The structure of reports specified in this chapter, and their dates, shall be as set forth in the Reporting to the Banking Supervision Department directive.

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