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| **Bank of Israel**Office of the Spokesperson and Economic Information | לוגו בנק ישראל |  JerusalemAugust 2, 2020 |

# Semiannual Report on the Prices of Common Banking Services

# for Households—2019

On July 29, 2020, the Supervisor of Banks, Mr. Yair Avidan, 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 the reports of the banks and credit card companies of actual income from fees collected during 2019.

## Main points of the report:

* During the past eleven years, there has been a decline of about 34 percent in the share of the banking system’s income derived from fees out of total assets. The decline is attributed to a range of regulatory measures taken by the Banking Supervision Department and the banking system during this period, as well as accounting effects from the sale of Isracard and Leumi Card (Max) by the banks as part of the implementation of the Reducing Concentration and Promoting Competition Law, 5777-2017.
* The average monthly cost for a household or private banking account in 2019 was NIS 26.9. During the past nine years (2011–19) there was a decline of approximately 17 percent in the average monthly cost for a household or private banking account. This cost is comprised of:
* The cost of **current-account activity**, which **decreased** by a total of approximately 39 percent;
* The cost of **credit cards**,which **increased** by a total of approximately 21 percent. The increase is attributed to the increase in credit card fees, to the trend of a growing number of credit cards held by customers per account, and an increase in the volume of foreign currency transactions and withdrawals.
* A significant measure that went into effect in August 2019 is proactive enrollment of small businesses and authorized businesses in the basic or extended fee tracks service, whichever is the most worthwhile for them. The measure is expected to contribute to a reduction in current account fees for small businesses and authorized businesses.
* Since the period covered by this report is 2019, the presented data do not reflect the effects of the coronavirus crisis.

## The banking system’s income from fees

**During the past eleven years, there has been a decline of approximately 34 percent in the share of the banking system’s income derived from fees out of total assets. The decline is attributed to a range of regulatory measures taken by the Banking Supervision Department and the banking system during that period. The decline in the year-on-year calculated ratio for 2019 is attributed to accounting effects from the sale of Isracard and Leumi Card (Max) by the Banks as part of the implementation of the Reducing Concentration and Promoting Competition Law, 5777-2017.**

Figure 1 - Development of total income from fees relative to the banking system’s total assets

(households, private banking, and businesses)



## The cost of managing a current account and holding credit cards per current account - households and private banking

**The average cost of managing a current account and holding credit cards per account of households and private banking[[1]](#footnote-1) in 2019 totaled NIS 26.9 per month, a 0.7 percent in average cost compared to the end of 2018. During the past nine years (2011–19) the cost declined by approximately 17 percent.**

Figure 2 - Development of the average monthly cost per current account for managing a current account and holding credit cards for households and private banking accounts in the banking system, in NIS, 2011–19

 [[2]](#footnote-2)

**The average monthly cost** of managing a bank account and holding credit cards in the account is comprised of the account management fees (current account and receiving information) and of the cost of holding credit cards.

* **The average monthly cost of managing a current account and receiving information was approximately NIS 12.4** -in2019, the trend of decline in the cost of managing an account continued. The cost **declined** by 6.1 percent during 2019. During the past 9 years, there has been a cumulative decline of approximately 39 percent.

This cost includes the following services: basic banking transactions (such as cash deposit or withdrawal, bank transfers, etc.) carried out by a teller or via direct channels, checking transactions, authorized debits of the account, standing orders, issuing standard reports, receiving information through communication channels such as phone, mobile device, email, and locating documents.

* **The monthly cost of holding and using credit cards was approximately NIS 14.3 per account, on average.** This cost includes primarily card fees, as well as additional costs in respect of withdrawing foreign currency abroad, transactions abroad, and more.

In the past year, there was a 4 percent **increase** in the cost of holding and using credit cards, and in the past 9 years, there was a cumulative **increase of 21 percent** in that cost. The increase is attributed to:

* The increase in the number of cards held by customers per account – please see Figure 3 hereinafter;
* Increase in credit card fees - the average monthly card fee was NIS 6.5 per card, per month (the average monthly card fee is calculated as total revenue from card fees from such cards relative to the number of such cards in the system), compared to NIS 6.3 per card in 2018.
* Increase in total foreign currency transactions and withdrawals - there was an 11 percent increase in total foreign currency transactions and withdrawals made by the public, which resulted in a 7 percent increase in the public’s expenses for fees for such activities.

Figure 3 - Development of the ratio of the number of cards per current account in NIS, 2011–19

**As of December 31, 2019, the average number of cards per account is 1.63.**

**During the past 9 years, there was an increase of approximately 38 percent in the average number of cards per account compared with 2011.**

The average monthly cost of card fees charged per account, weighted by the average number of cards per account, is approximately NIS 10.7 (calculated as total card fees charged by credit card companies and banks relative to the average number of cards per account in NIS), compared to NIS 10.1 in 2018.

## Fee schedules in respect of foreign currency transactions and withdrawals using credit card

**The Banking Supervision Department urges the public to compare the service fee schedules among the companies, and to carry out credit card transactions and withdrawals in an informed manner.**

Table 1 - Comparison of fee schedules in respect of foreign currency transactions and withdrawals using credit cards, as of June 22, 2020

|  |  |  |  |
| --- | --- | --- | --- |
| **Fee per foreign currency transaction** |  **Cal**  | **Max** | **Isracard** |
| **Fee for foreign currency transactions** | 2.8% | 3.0% | **2.7%** |
| **Fee for foreign currency withdrawals** | 3.5% | **3.0%** | 3.5% |

**Fee in respect of foreign currency transactions and withdrawals -** the fee is calculated as a percentage of the total foreign currency transaction amount or as a percentage 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.

## Comparison of fee schedules for current account fees - customer-executed vs. teller-executed transaction fees, comparison of costs of the basic track and extended track at the various banks

## A customer may choose to pay for current account transactions in two ways - “pay as you go” or a fixed monthly fee (the “tracks service”)

### Paying separately for each 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.

Figure 4 - The cost of a teller-executed transaction and the cost of a customer-executed transaction in the banking system, as of June 22, 2020



A **“teller-executed transaction”** includes any 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 when these transactions are made via a bank teller, including through a manned call center.

A **“customer-executed transaction”** includes any 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 when these transactions are made through a clearing house, ATM, the banking corporation’s website, or smartphone application.

### Fixed monthly payment - 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 61 percent of total accounts pay less than NIS 10 per month on average

 12 percent of the accounts are already enrolled in the tracks service.

For 27 percent of the remaining accounts, it is recommended to consider enrolling in the service

Figure 5 - Breakdown of accounts (thousands) - enrollment in the fees tracks, December 31, 2019\***[[3]](#footnote-3)**

 \* Source: Reports by the banks and calculations by the Banking Supervision Department

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

Over the years, and as a direct result of measures taken by the banking system and Banking Supervision Department, the number of accounts being enrolled in the fee tracks service has increased consistently.

**Proactive enrollment in the service**

**In the second half of 2019, approximately 190,000 accounts enrolled in the tracks service. Most of the accounts are of small businesses (of self-employed individuals or small businesses), which were enrolled in the tracks service following instructions by the Banking Supervision Department.[[4]](#footnote-4)**

**The Banking Supervision Department calls on the public to examine the worthwhileness of the service for them!**

**Enrolling in the fee tracks service is simple and can be done through direct channels as well as by a teller.**

**The basic service track is worthwhile for households**

Figure 6 - Cost comparison between: Teller-executed and customer-executed fee schedules, actual cost without a fee track, and basic service track cost

The Bank of Jerusalem charges a total of NIS **6.5** per month for all transactions.

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

\*\* **Actual cost without a fee track** - Cost of 1 teller-executed & 10 customer-executed transactions, per the price charged in effect for such transactions in accounts that have not enrolled in the fee tracks service (calculated based on revenue data reported by the banks to the Banking Supervision Department for 2019);

**\*\*\* 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 may not exceed NIS 10.

* The cost of the basic track reflects 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 and Bank Massad. At the Bank of Jerusalem, a monthly fee of NIS 6.5 was charged with no limit on the number of transactions in the current account.
* When examining the banking system as a whole, the cost of fees for all transactions included in the **basic** track is the lowest at Bank Yahav,[[5]](#footnote-5) the highest at Mercantile Bank (out of the five largest banks: the lowest cost is at Discount Bank, and highest at Bank Hapoalim and Mizrahi Bank.)
* In March 2019, Mizrahi Bank increased the basic track fee from NIS 9 per month to NIS 10 per month.

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

Figure 7 - Cost comparison between: Teller-executed and customer-executed fee schedules,\* actual cost without a fee track,\*\* and extended service track cost\*\*\*

The Bank of Jerusalem charges a total of NIS **6.5** per month for all transactions.

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

\*\* **Actual cost without a fee track** - Cost of 10 teller-executed & 50 customer-executed transactions, per the price charged in effect for such transactions in accounts that have not enrolled in the fee tracks service (calculated based on revenue data reported by the banks to the Banking Supervision Department for 2019);

**\*\*\* Expanded fee track.**

**The extended fee track** includes up to 50 customer-executed transactions and up to 10 teller-executed transactions and ranges from NIS 20 to 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 extended track, the savings to the customer can reach tens of shekels per month and up to hundreds of shekels per year.
* It is more worthwhile to enroll in the **extended** service track than to pay for each transaction separately, except at Bank Yahav and Bank Massad.
* Beginning in 2019, once a year, banking corporations are required to proactively enroll accounts of small businesses and authorized businesses in the extended fee track, subject to ensuring that the enrollment is worthwhile for these accounts.
* A small business is a corporation with annual revenue of up to NIS 5 million.[[6]](#footnote-6)
* In the overall banking system, the expenditure in respect of fees for the total transactions included in the **extended** service track is lowest at Bank Yahav.5 Mercantile Bank charges the highest total fee (among the five large banks: the expenditure is lowest at Discount Bank and First International Bank, while it is highest at Mizrahi Bank).

## For a guide on the Bank of Israel website on the issue of reducing bank account management costs, please visit (in Hebrew)

## <https://www.boi.org.il/he/NewsAndPublications/Pages/09-07-2019.aspx>

## Fees for securities transactions

## There are two types of services for which fees are charged for securities transactions - a fee for buying, selling, and redeeming securities, and a management fee:

### Fee for buying, selling, and redeeming securities

**The “fee for buying, selling, and redeeming securities”** is a fee charged in respect of securities purchase, sale, and redemption transactions. The fee is charged as a percentage of the transaction amount.

**Direct banking makes it possible to save on securities fees as well**

Figure 8 - Comparison of fee schedules for buying, selling, and redeeming securities traded in Israel - stocks and bonds - through the banking system: fee schedule for a teller-executed transaction vs. an online transaction, in percent, as of June 22, 2020



During 2019, there were no increases in the buying or selling fees of securities. Bank Massad reduced its fee from 0.78 percent to 0.68 percent.

### Securities deposit management fee for Israeli securities

The “securities deposit management fee” is charged as a percentage of the portfolio value for holding a securities account.

**There is variance in the amount of the “securities deposit management fee” in the banking system among the banks, by securities portfolio value**

Figure 9 - Comparison of the “securities deposit management fee” for Israeli securities charged in effect, by portfolio value, per year, in percent

Second half of 2019:



\* A fee increase is marked 'red', a decrease is marked 'green', and if no change has occurred - it is marked 'black'.

Second half of 2018:[[7]](#footnote-7) 

In 2019, the trend of actual increase in management fees continued. The lowest management fees are at Bank Yahav. The highest management fees are at Bank Massad and First International Bank.

**The Bank of Israel urges the public to consume products and services in a smart and informed manner, and invites the public to use the “trading fees calculator” available on the Tel Aviv Stock Exchange’s website.**

# APPENDIX - Summary of measures taken regarding fees in 2013-2019

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| No. | Changes or measures regarding fees | In effect as of |
|  | The “bank guarantee secured by a specific financial deposit” service was defined as a service distinct from the “bank guarantee” service, and the fee schedule in respect of it must be lower than the fee for the “bank guarantee” service.  | July 1, 2019 |
|  | Receipt of fee schedules via recorded phone message and in the customer’s personal area as well | July 1, 2019 |
|  | Presentation of information on withdrawal fees on the opening screen of ATMs | May 15, 2019 |
|  | A customer’s notification of a request to join the fee tracks service shall be given via the communication channels offered by the banking corporation, according to the customer’s preference. | July 1, 2019 |
|  | Improving the overall decision to enroll senior citizens and people with disabilities in the basic fee track. | August 1, 2019 |
|  | **Proactive enrollment of small companies and authorized businesses in the basic or expanded fee track, whichever is more beneficial to the customer.**  | **August 1, 2019** |
|  | Reduction of capital allocation against **bank collateral secured by a monetary deposit** | Dec. 18, 2017 |
|  | Obligation to set reduced fee schedules for all **customer-executed transactions**, publication of comparison between fees on teller-executed transactions and reduced fees on customer-executed transactions | Nov. 1, 2017 |
|  | Setting a different fee for a **walk-in customer** | Nov. 1, 2017 |
|  | Setting an **ATM withdrawal fee for a distant machine** | Sept. 24, 2017, |
|  | Adding **pension advisory service** to fees rules | July 19, 2016 |
|  | Issuing a **notice to customers** after six months from closure of an account, free of charge | July 19, 2016 |
|  | Reducing 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 |
|  | **Proactive enrollment of senior citizens and disabled customers** in the basic fee track | July 19, 2016 |
|  | Regulating fees for **operational services for a small business in respect to acquiring services** | July 1, 2015 |
|  | **Simplification of rules for charging a conversion fee** in respect of a foreign currency transaction or foreign currency withdrawal, so that only one fee will be charged, at the representative rate | July 1, 2015 |
|  | **Definition of small business -** the definition was changed such that a corporation that submits an annual financial statement showing that its 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, on a regular basis, 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 |
|  | **Housing loan management fee -** cancellation of the housing loan management fee. The fee was regulated to a maximum of NIS 2 per month per loan (NIS 24 per year), which was charged with the monthly payment of the housing loan.  | Feb. 1, 2015 |
|  | **Transfer fee via the Zahav (RTGS) system -** the fee for transferring money - up to the 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 |
|  | **Fee in respect of issuing an 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 |
|  | **Debit transaction using an immediate debit card -** cancellation of the possibility of charging a customer-executed transaction fee for the 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 |
|  | **Cancelling the fee for deferred debit payments -** in respect of installments on a debit card (which had been charged in respect of each installment of the payment transaction). | Feb. 1, 2015 |
|  | **Tracks service -** selecting a payment track for managing a current account via a uniform basket of services for managing a current account, out of two options (a basic track and an expanded track) offered by all banks in Israel. | Apr. 1, 2014 |
|  | Requirement to publish a **direct link to fee schedules** on banking corporations’ websites, such that the information is readily available and accessible to customers  | Apr. 1, 2014 |
|  | Changing the **definition of a “small business” -** the change enables more small businesses to be included in the reduced retail fee schedule. | Aug. 1, 2013 |
|  | Establishing that the supervised price of transferring a securities deposit from one bank to another applies as well to **transferring a securities deposit outside the banking system.** | Jan. 1, 2013 |
|  | Signing into law the Banking Supervision Department’s guidance whereby a lower fee is to be charged for **collateral secured by a monetary deposit** | Jan. 1, 2013 |
|  | Requirement to set a **maximum amount of a fee to buy/sell** Israeli securities | Jan. 1, 2013 |
|  | Cancellation of **small business management fee**, and making small businesses equivalent in status to households.  | Jan. 1, 2013 |
|  | Cancellation of the fee for **changing a payment date on a credit card** | Jan. 1, 2013 |
|  | Raising the exemption on the **credit and collateral handling fee** for non-housing loans from a ceiling of NIS 50,000 to a ceiling of NIS 100,000 | Jan. 1, 2013 |
|  | Requirement to set **differential pricing in respect of securities transactions** through different channels. | Jan. 1, 2013 |
|  | Cancellation of the **fee for an information card and for a cash withdrawal card** | Jan. 1, 2013 |
|  | Cancellation of **securities management fee in respect of “makam” and money market funds** | Jan. 1, 2013 |
|  | **Amendment of the definition of “senior citizen”**, with the goal of automatically awarding 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 |
|  | **Repricing fees in respect of securities transaction -** so as to enable comparison between banks. | Jan. 1, 2013 |

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|  | Supervisory Orders | Publication date |
|  | **Supervisory order on depositing a post-dated check** (in effect until June 30 2019) | April 15, 2019 |
|  | **Supervisory order on standard reports -** maximum amount of NIS 15 | July 19, 2016 |
|  | **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 immediate debit transactions. The order sets a maximum fee rate of 0.3 percent. | Aug. 26, 2015 |
|  | **Supervisory order on service provided by acquirer to a factoring services provider in debit card transactions -** setting a maximum price of NIS 20, or NIS 10 if the merchant is a small business. | May 10, 2015 |
|  | **Supervisory order on alerts and notifications service -** a maximum fee amount of NIS 5 | May 10, 2015 |
|  | **Supervisory order on basic track service -** a maximum fee amount of NIS 10 | March 24, 2014 |

1. There was a retroactive correction in the number of accounts, as of December 31 2017, due to data scrubbing carried out by the banking corporations. In addition, there was a retroactive correction in fee revenue from card holders collected by credit card companies from 2011 onward. [↑](#footnote-ref-1)
2. **The average monthly cost for managing a current account and holding a debit card per household or private banking** account is calculated as total revenue from fees collected directly by the banking corporations from household and private banking accounts, relative to the number of households and private banking current accounts, per month, broken down by banking areas of activity (in accordance with data reported to the Banking Supervision Department by the banks, the financial statements, and Banking Supervision Department calculations). [↑](#footnote-ref-2)
3. The current graph was calculated based on revised data from several accounts reported by the banking corporations (see Footnote 1 as well). [↑](#footnote-ref-3)
4. Amendment to the Rules of Banking (Customer Service) (Fees) (Amendment), 5719-2019. A small business as defined by the Rules. [↑](#footnote-ref-4)
5. Except for the Bank of Jerusalem, which charges a fixed fee of NIS 6.5 per month, regardless of the number of transactions. [↑](#footnote-ref-5)
6. For more information, please see the Definitions section in the Banking (Service to the Customer) (Fees) Rules, 5768-2008. [↑](#footnote-ref-6)
7. The Bank of Jerusalem retroactively corrected the data for the previous report - second half of 2018. [↑](#footnote-ref-7)