

## Switching Banks Online

### Introduction

1. In recent years, the Banking Supervision Department has been acting to stimulate competition in the banking system and encourage the banks to be more innovative and efficient for their customers' benefit. As part of this effort, the Department has been promoting several projects and structural changes in the banking market, including a project involving online switching of banks ("switching banks at a click").

Simplifying the process of switching banks without compromising customers' rights and the continuity of their financial activity will make it easier for customers to switch banks; it will also stimulate competition, strengthen customers' power, and improve customer service. The purpose of the project is to enable customers who wish to transfer their financial activity to another bank to do so by means of a handy, efficient, and reliable technological system that has specific clear stages and timetables for successful completion of the response.

This project is central in the process of implementing Amendment 27 of the Banking (Service to Customer) Law, 5741-1981 (hereinafter: "the Law"). In the amendment, Section 5b1 was added to the Law, determining that banks must allow customers who wish to switch banks to do so online, conveniently, reliably, safely, and at no cost to them.

Within the framework of the amendment, the Governor of the Bank of Israel is empowered to lay down rules for the types of financial activity to which this undertaking shall apply, and the Governor, with the consent of the Minister of Finance, is authorized to establish rules for the types of bank accounts for which said requirement shall apply to the financial activity that takes place therein. The Law also empowers the Supervisor of Banks to issue directives to banking corporations for said performance.

This Directive spells out the rules that banks must apply in handling a customer's request to switch banks online, including the due disclosure to which customers are entitled throughout the switching process and the consent that customers must provide in order to complete the process, the stages that the original bank (hereinafter: "the old bank") and the bank to which the customer wishes to switch (hereinafter: "the new bank") must carry out as the switch is made, the banking services and financial products that are transferred and routed as the customer's financial activity is switched to another bank, and rules for maintaining continuity of the customer's financial activity during the switch.

## Incidence

2. (a) This Directive shall apply to a bank for the discharge of its duties as an old bank or as a new bank under Section 5b1(a) of the Law.
- (b) If the switching date under the Governor's rules falls on a short business day and is deferred, without derogating from the contents of Subsection (a), Section 41 of the Directive shall apply to every bank, including a bank that is absolved from the provisions of the Law under Section 5b1(e) of the Law.
- (c) Canceled.

## Definitions

3. **"Bank"** As defined in Section 5b2(a) of the Law;
- "Old bank"** The bank from which the customer wishes to transfer his or her financial activity under Section 5b1 of the Law;
- "New bank"** The bank to which the customer wishes to transfer his or her financial activity under Section 5b1 of the Law, provided it is not the old bank;
- "Request to switch banks"** A request from a customer to transfer financial activity from a old bank to a new bank, for which the consent

	of all owners of the account with the new bank has been obtained;
<b>“Sound request”</b>	A request to switch banks, in which all requisite details have been completed and in which the conditions laid down in the Governor’s rules are met;
<b>“Transfer of activity”</b>	Transfer and routing (“follow me”) of a customer’s financial activity;
<b>“The Law”</b>	The Banking (Service to Customer) Law, 5741-1981;
<b>“Proceeds account”</b>	A current account managed by the old bank solely for the purpose of managing residual activity with the old bank after the switch is made. A banking corporation shall not charge fees for this account and shall not carry out activity not directly related to the purpose of managing residual activity with the old bank after the switch takes place;
<b>“Switching date”</b>	The business day on which the switching of banks takes place, after which the routing period begins;
<b>“The Governor’s rules”</b>	The Banking Rules (Service to Customer) (Bank-To-Bank Transfer of Customer’s Financial Activity), 5769-2019;
<b>“Customer”</b>	As defined in Section 5b1(a) of the Law;
<b>“Transfer”</b>	Transfer of a customer’s financial activity in accordance with Section 5b1 of the Law, from the account at the old bank to the account at the new bank, on the switching date or on a later date by means of the online system, in accordance with the Governor’s rules;
<b>“Routing”</b>	Transfer of a customer’s financial activity in accordance with Section 5b1 of the Law and Section 5

of the Governor's rules to the customer's account at the new bank, after the switching date, by means of the online system;

**“Residual activity at old bank after transfer”**

A deposit, savings plan, non-transferable securities, encumbered loans and assets, and additional assets that may remain with the old bank after the transfer, all of which subject to an agreement between the old bank and the customer and under the provisions of any law.

### **The transfer process—general principles**

#### **4. Determining the switching date—**

- (a) If the switching date under the Governor's rules is to take place on a short business day and is deferred to the following long business day, the following rules shall apply:
  - (1) The new bank shall apprise the customer of the date on which the transfer shall take place on the date of submission of a request by the customer;
  - (2) The amount of time in which activity in the customer's account shall be suspended shall not be prolonged by deferral of the switching date.
- (b) If the switching date is not a day of trading in foreign currency, the transfer of a balance in foreign currency, if any, shall take place on the business day after the switching date.

#### **5. Choosing the switching date—**

- (a) The new bank shall allow a customer who wishes to switch banks to determine that the switching date shall fall on a later date than the dates established in the Law and in the Governor's rules, in accordance with the customer's needs, provided the transfer process be completed within thirty business days of the day on which the customer presents a sound request to switch banks.
- (b) In a case where the customer chooses a switching date that is later than the dates laid down in the law and in the Governor's rules, said dates shall be calculated

for the purpose of the transfer process from the seventh business day preceding the requested date.

- (c) The new bank shall check whether the customer has active means of payment in his or her account with the new bank. Insofar as the customer has none and is in need of them, the bank shall propose to the customer that he or she set the switching date at the date on which he or she shall have the new means of payment. For the purposes of this Section, a charge card and checks are deemed to be “means of payment.”

- 6. Cancellation of customer’s request to switch banks**—a bank shall allow a customer to cancel his or her request to switch banks at any stage of the switching process up to the end of the sixth business day of the switching process. Notice of cancellation may be given at least via the bank’s website, via the telephone hotline, at the branch, and on any channel where the bank allows a customer to present a request. Once the customer’s notice of cancellation of request is received, the bank that receives the notice shall update the other bank in a way that will allow the cancellation to take place, and the restrictions imposed on the account at the old bank shall be lifted within one business day at the latest of the date on which said cancellation notice is given. A cancellation notice may be submitted by any of the owners of the account.
- 7. Retention of benefits and discounts**—the old bank shall not cancel benefits and discounts to which the customer became entitled in the course of the management of his or her account on a date preceding the date set for this purpose in his or her agreement with the bank or by law, for the mere fact of having applied to switch banks. In the absence of an agreement in which a date for the effect of said benefits or discounts to the customer is determined, the bank shall maintain said benefits or discounts for a period of at least three months from the date on which the request is submitted or up to the switching date, whichever is earlier.
- 8. Acceptance of instructions from customer**—the old bank shall act to accept instructions directly from the customer as to the products with which it must deal as

the customer's activity is transferred to the new bank, and shall make a reasonable effort to reach him or her promptly for this purpose by all means available to it.

- 9. Attempt by the old bank to retain the customer**—a communication from the old bank to a customer who has applied to switch banks, in order to try to persuade him or her not to switch to the new bank, shall be undertaken without pressing the customer to make a decision in the matter. The old bank shall explain to the customer, at the very beginning of the communication, that the communication is meant to attempt to retain him or her as a customer of the bank.
- 10. Transfer of activity from several accounts**—a new bank shall allow its customers to transfer financial activity from several accounts that are kept with one old bank or several old banks to one account at the new bank, under the conditions that are set forth in the Governor's rules. Requests by a customer to transfer activity from several accounts to one account at the new bank may be presented on the same day or on different days. The duration of the period of routing of financial activity to the receiving account shall be counted in accordance with the date of transferring each account from the old bank.
- 11. A bank shall allow a customer to transfer financial activity with no restriction on the number of transfers**, under the conditions set forth in the Governor's rules. Once the old bank has received a request to transfer a customer's activity and receives another request to transfer the same activity to a different new bank before the switching date has arrived, the old bank shall reject the latter request and shall apprise the new bank, by means of which it was presented, that another request for transfer awaits its treatment. Once notice from the old bank is received, the relevant new bank shall advise the client of the rejection of the request and the reason for it, explaining that unless the customer takes some other action, the first request for the transfer of activity is the one that shall be implemented.
- 12. Retention of customer's value days and finality of payment**—each financial transaction shall be routed and implemented within the customary time frame for its

performance, including for the purpose of calculating the customer's value days and preserving his or her finality of payment.

13. **Sharing customer information**—a bank may share or receive information about the customer that is needed for the transfer of the customer's activity, subject to the provisions of any law including privacy law.
14. **The new bank is responsible for handling any inquiry from the customer** relating to the transfer of activity.
15. **The old bank is responsible for handling any inquiry from the customer** relating to residual activity at the old bank after the transfer of activity.
16. The submission by a customer of a request to switch banks, including obtaining the consent of other account owners for this purpose, where such is carried out online, shall be defined as a high-risk transaction for the purposes of Section 42 of Proper Conduct of Banking Business Directive 367.
- 16a **Apprising customers of the possibility of switching banks**—a bank shall apprise its customers of the possibility of switching banks under Section 5b1 of the law as part of the process of opening an account and also as part of the information presented to the customer concerning possibilities and processes of closing an account.

## **Stages in the process of switching banks**

### **Request by customer to switch banks**

17. A new bank shall allow a customer to submit a written request to switch banks, all of which via the channels of communication that it offers for the customer's choice and, at the very least, on the internet channels of the bank and the branch, after it identifies the customer in the accepted ways.
18. A customer's request to switch banks shall include the following details at the very least:
  - (a) the customer's particulars—those recorded with the new bank shall be presented on the request form and the customer shall be asked to verify them;

- (b) details of the account with the old bank—the account number and the particulars of the account owners (at least name and ID number);
- (c) characteristics of the account with the old bank—the request shall include questions about the characteristics of the account at the old bank in order to determine compliance with the conditions set forth in the Governor’s rules. Failure to answer these questions by the customer shall not derogate from the soundness of the request;
- (d) familiarity with the financial activity that customer wishes to transfer—the request shall include questions about balances in the existing financial activities in the customer’s account with the old bank and balances and activities that are expected to be transferred to the account with the new bank on the switching date. Failure to answer these questions by the customer shall not derogate from the soundness of the request;
- (e) the customer’s consent in the following matters:
  - (1) sharing of information between the old bank and the new bank, and with other relevant entities, as is needed to carry out the transfer and the routing. Within this construct, it shall be explained to the customer that his or her consent means, among other things, that the old bank will receive information about his or her intention of switching banks and that the old bank shall share with the new bank such information as is needed for the process, including information about balances in the account and the customer’s activity in checks.
  - (2) sharing the customer’s contact details with the old bank—the new bank shall offer the customer the possibility of agreeing to share with the old bank the most recent contact details of the customer, and this, for the purpose of receiving notices and information from the old bank in regard to the process of switching banks and the need to communicate with the customer for instructions about the handling of existing products in the account at the old bank, if necessary. In this case, the customer’s consent as aforesaid shall be



considered consent to conclude an e-banking agreement the old bank and Section 28 of Proper Conduct of Banking Business Directive 367 and Section 5(a) of Proper Conduct of Banking Business Directive 420 shall not apply. Lack of consent to this Section shall not derogate from the soundness of the request.

(3) Power of attorney to carry out transactions—

The new bank shall receive power of attorney from the customer to act in his or her name vis-à-vis the old bank in order to perform all actions needed to transfer activity from the account with the old bank to the account with the new bank, including:

- (a) assenting to the creation of standing orders;
- (b) instructing the old bank to close the customer's account, insofar as this is possible;
- (c) giving an instruction to authorize debiting of the customer's account with the new bank by the old bank, in accordance with the customer's activities at the old bank. Such authorization may include, *inter alia*, authorization to debit an account as a substitute for a standing order for banking products that remain in the old account or to settle debits or credits in the customer's account with the old bank, and authorization to debit an account in order to settle credits created by the customer by means of a bank charge card issued by the old bank before the switching date.
- (f) an instruction from the customer to leave a dormant deposit, if any, with the old bank until it matures or until the end of the period and, after this date, to route it to the account with the new bank. If such an instruction is not given, this shall not derogate from the soundness of the request.
- (g) a customer's instruction concerning the method of handling checks in the course of the days when temporary restrictions are applied to activity in the account with the old bank, in accordance with Section 26(b).

19. In addition to the foregoing, if the account with the new bank has more than one registered owner, the new bank shall:
- (a) advise the customer who submits the request, at the beginning of the process of receiving the request, that a precondition for presenting the request is the consent of all owners of the account to the request;
  - (b) allow consent from the owners of the account to be received via all means of communication that the new bank offers and, at the very least, on the internet channels of the bank and the branch. The consent of the additional owners shall be given after they have been identified in the accepted ways and shall be documented.
  - (c) have procedures in place that specify a reasonable period of time to complete the process of obtaining the co-owners' consent.

**Due disclosure to customer**

20. The process of submitting the request shall be oriented toward and friendly to the customer and shall include information and explanations about the process and its implications, all of which inserted into the various causes that customer is required to fill in in his request, commensurate with their relevance.
21. The new bank shall also present the applying customer with a centralized information sheet that includes explanations and a concise presentation of the major issues associated with the decision to switch banks, including full disclosure of the way existing products will be treated and explanations of the customer's options in this context and their implications. Insofar as the consent of co-owners of the account is needed, the new bank shall allow them to review the information sheet before they give their consent and shall obtain their confirmation that they were given an opportunity to review it before they gave their consent. The information sheet shall also be posted in a prominent place on the bank's website at all times and in a format that allows it to be saved and printed.
22. The process of filling in and submitting the request to switch banks, and the information sheet, shall be couched in simple language that is clear to the customer.

23. Information presented to the customer shall relate to the following matters at least:
- (a) the types of accounts that may be transferred by means of the online system;
  - (b) an itemized account of the financial activities that shall be transferred and routed. Within this generality, the customer shall be advised that said activities may not be separated from each other and that the option of leaving some of them with the old bank is not offered;
  - (c) a breakdown of financial activities that cannot be transferred and routed automatically or that cannot be transferred at all, such as loans, deposits, non-transferable securities, future transactions in foreign currency, and guarantees, and the implications of this. The new bank shall explain to the customer the ways in which he or she may deal with such activity before the switching date and shall explain his or her obligation to settle his or her liabilities to the old bank;
  - (d) foreign-currency activity—circumstances under which foreign-currency balances shall be converted into NIS and transferred to the new bank;
  - (e) the transfer and routing process—with special emphasis on the following: the duration of the transfer process, the meaning of routing and the routing period, the customer’s right to set the switching date as indicated in this Directive, the customer’s right to cancel the request to switch banks as set forth in this Directive, the customer’s right to cancel routing after the switching date, the status of the account with the old bank and the duration of the transfer process, restrictions that shall apply to the customer’s account with the old bank during the various stages of the transfer process and the dates on which they will ensue, the manner of conduct in regard to activity in checks before the transfer process is completed and during the routing period, customer contact details for tracking the status of the transfer, cases in which customers shall receive notices and warnings during the transfer process, the date and manner of completing the transfer process, and the circumstances under which the transfer process shall be halted.

- (f) The customer shall be advised that his or her financial activity shall be routed within the customary time frame for the relevant financial transactions in ordinary times, including for the purpose of calculating customer value days and maintaining finality of customer payments.

#### **Vetting of customer request by the new bank**

24. After it receives a request to switch banks and, at the latest, on the following business day, the new bank shall vet the request for soundness on the basis of the details that customer provided in the request and the information available to the new bank, and shall act as follows:
- (a) If the request is found to be unsound, the new bank shall advise the applicant customer that his or her request cannot be carried out and shall explain in detail why.
  - (b) If the request is found to be sound, the new bank shall share the requisite details with the old bank at the very latest within one business day of the day on which the vetting of soundness is completed.
  - (c) Notwithstanding the contents of Subsection (b), if a customer asks to switch banks at a later time, as specified in Section 5 of the Directive, the requisite details shall be forwarded to the old bank seven business days before the switching date that the customer has set.

#### **Handling of customer request by the old bank**

25. Once the old bank has received the requisite details set forth in Section 24 of the Directive, it shall determine whether, according to the information in its possession, the customer's request complies with the conditions set forth in the Governor's rules.
26. If the old bank finds that the request is sound:
- (a) it shall advise the new bank that the request is sound no later than on the business day after the request is received from the new bank;

- (b) it shall impose temporary restrictions on activity in the account with the old bank as follows:
  - (1) it shall not allow the customer to change the ownership of the account and initiate new transactions in the account that are of long-lasting nature and may create a liability in the account from the switching date onward—transactions in matters of account debiting authorization, loans, and activity with checks, *inter alia*;
  - (2) it shall not allow the customer to continue using a bank credit card.
- (c) Notwithstanding the contents of Subsection (b), the old bank may allow the customer to initiate new transactions in the account provided said transactions are needed for residual activity at the old bank after the switch, and the old bank undertakes to allow said transactions to continue existing after the switching date.
- (d) It shall share the following information, current as of the date on which it is shared:
  - (1) an indication of each type of product and service existing in the account;
  - (2) detailed information about the following:
    - (a) current balances;
    - (b) for a foreign-currency account: itemization of the types of currencies kept in the account with the old bank;
    - (c) securities;
    - (d) existing standing orders in the account with the old bank, including, at the very least, the details of the account debited;
    - (e) beneficiary's particulars (name and code of institution), beneficiary's ID number, date of creation of authorization, credit ceiling, date of expiration of authorization, and details of latest crediting of the account;
    - (f) information about checks that is needed for transfer and routing;
    - (g) additional relevant information that is needed for the transfer of the customer's activity.

27. If the old bank finds that the request is unsound, it shall advise the new bank of its finding, explain why the application is unsound, and refrain from imposing any restriction on activity in the old account.

**Vetting by the new bank and notifying the customer**

28. In accordance with the information that it receives from the old bank, the new bank shall act as follows:

- (a) If the old bank advises the new bank that the request is unsound, it shall advise the customer of the cancellation of the process and shall explain why in detail.
- (b) If the old bank advises the new bank that the request is sound, the new bank shall determine whether from its standpoint, in accordance with the latest information available to it, the customer's request complies with the terms set forth in the Governor's rules.
- (c) The new bank shall issue the following updates in accordance with the findings of its vetting:
  - (1) If the request is found to be unsound, it shall serve the customer and the old bank with notice to this effect. It shall apprise the old bank of the unsoundness of the request and the cancellation of the transfer of activity, and in its notice to the customer the new bank shall also explain the reasons for the unsoundness of the request. In this case, the restrictions imposed on activity in the account with the old bank shall be lifted.
  - (2) If the request is found to be sound, it shall apprise the customer of the temporary restrictions imposed on activity in the account with the old bank shortly before the restrictions go into effect. If the old account has a credit balance that exceeds the available balance or a debit balance that does not comply with the restrictions set forth, the new bank shall advise the customer that a change in the level of the balance available to him or her is needed or that the balances need to be changed by the switching date and that, insofar as no change takes place, the switching process shall be halted.

### **Handling of existing products in an account with an old bank**

29. From the day on which the old bank advises the new bank that a request to switch banks is sound as set forth in Section 26 of the Directive, to the end of the business day preceding that of the transfer, the old bank shall act to receive instructions from the customer in regard to existing products in the account with the old bank that are not automatically transferred or routed or not transferred at all. Within this generality, the old bank shall take the following actions:

- (a) In regard to loans (including housing loans, interest-bearing transactions with credit cards, and checks for discounting):
  - (1) If the loan is adequately secured or the bank as no right to demand immediate repayment, the old bank shall continue to manage the loan in the ordinary manner. Future payments, if any, shall be made against authorization to debit the customer's account with the new bank, which shall be created by the new bank.
  - (2) If the loan is inadequately secured or the bank has the right to demand immediate repayment, the old bank shall make an effort to allow repayment of the loan to continue by means of authorization to debit the customer's account with the new bank. If the old bank decides not to allow continued repayment of the loan in this manner and has reached no other agreement with the customer on how to handle the loan, or if the customer has given no instruction, the bank-switching process shall be halted.
- (b) In regard to a deposit or non-deposit savings that are dormant on the day the request is presented:
  - (1) the old bank shall continue to manage the deposit or the savings in accordance with the terms concluded with the customer before the switching date unless the customer instructs otherwise;
  - (2) on the date of maturity of the deposit or the savings, even if said date falls after the end of the routing period, the old bank shall transfer the customer's

funds, in their entirety, to his or her account with the new bank or to such other account as the customer shall instruct;

- (3) if the customer has not given an instruction in regard to the account to which said funds should be transferred on the date of maturity, the old bank shall contact the customer and ask for instructions on how to handle the funds.
- (c) In regard to securities—unless the customer instructs otherwise and if the account with the old bank holds securities that cannot be transferred to the new bank, the old bank shall continue to hold said securities for the customer.
- (d) In regard to foreign currency—unless the customer instructs otherwise and the account with the old bank has a positive balance in a type of foreign currency that cannot be transferred to the customer’s account with the new bank because the customer does not have a foreign-currency account with the new bank, or because the new bank does not manage this type of foreign currency for its customers, the old bank shall convert the balance into NIS in its ordinary way and shall transfer the balance to the customer’s account with the new bank. If the account with the old bank has a credit balance in foreign currency and absent an instruction to the contrary by the customer and absent a mechanism between the banks for the acceptance of credit balances in foreign currency, the old bank shall convert the credit balance into NIS in its ordinary way and shall transfer the balance to the customer’s account with the new bank.
- (e) In regard to checks:
- (1) The old bank shall enable the customer to receive an output of the computerized check, produced by it at the customer’s request before the switching date, even after the switching date.
  - (2) If a customer draws an undrafted check from his or her account with the old bank and switches banks, and the old bank rejects the payee’s request to receive the proceeds of said check in cash at the teller’s desk, the old bank shall apprise the payee of the options available to him or her, including resubmission of the check via his or her account.



29a. Additional provisions relating to the handling of checks:

- (a) Banks shall allow customers to issue instructions concerning the handling of checks deposited for custody that fall due while request to switch banks is being processed or after the switch takes place.
- (b) Banks shall allow customers to subtract checks deposited for custody even before the process of transferring the check in accordance with Section 4(e) of the Governor's rules has been completed. In this case, the new bank shall present the subtracted check to the customer within seven business days of the day on which the customer has asked to have the check subtracted.
- (c) After the day of the transition, the new bank shall allow the customer to carry out the following transactions in regard to a check that was presented for collection by the customer at the old bank and refused before the switching date:
  - (1) resubmitting the check, insofar as the provisions of the law allow;
  - (2) producing an output of a computerized check, insofar as no such output was produced for the same check at the old bank.

### **Completing the switching process**

30. The new bank shall advise the customer, on the business day preceding the switching date, of the expected suspension of his or her account at the old bank and shall explain that this is the final stage before the switch is completed. On approximately the switching date, and no later than the beginning of the business day of the switching date, the old bank shall check for compliance with the Governor's rules on the basis of account data that are current as of the switching date.
31. Insofar as a change occurs such as the request no longer complies with the Governor's rules, the old bank shall apprise the new bank of the cancellation of the process and shall explain in detail the reason. In this case, the old bank shall lift the restrictions on activity in the account immediately and the new bank shall, at the earliest possible opportunity, advise the customer that his or her request cannot be

carried out, specifying the reasons for the cancellation of the process of switching banks.

32. If the vetting by the old bank shows that the request still complies with the Governor's rules:
  - (a) the old bank shall immediately apprise the new bank of compliance with the Governor's rules and shall provide an update about the balances to be transferred, including non-final ones;
  - (b) the old bank shall suspend the account with the old bank and all activity therein from the moment the balances are sent to the new bank, on the day of the switch, until an answer from the new bank is received, and no later than the end of the day of the switch. This, with the exception of securities activity that can be transferred at a later time than the switching date in accordance with the Governor's rules, and except for residual activity at the old bank after the switch takes place.
33. The new bank shall determine whether it has received notice from the customer about canceling the request to switch banks, and whether a change has taken place in the account that results in noncompliance with the Governor's rules. Insofar as a request to cancel has been received or if a change resulting in noncompliance with the Governor's rules has occurred, the new bank shall, at first opportunity, apprise the old bank in order to ensure the cessation of the process. If said notice is received, the old bank shall act to immediately lift all restrictions that were imposed on activity in the account. In addition, the new bank shall inform the customer that the switching process has been cancelled and shall explain why.
34. If the request is found compliant with the Governor's rules after both banks have vetted it:
  - (a) on the switching date, the old bank will not allow transactions in the old account, including cash withdrawal, to take place;
  - (b) the new bank and the old bank shall act to transfer and route the financial activity;

- (c) on the date when the switching process is completed, the old bank shall advise the customer that the switch the new bank has been completed and shall close the account. If there is still residual activity with the old bank after the switch, a proceeds account may be left with the old bank;
- (d) charges to a bank credit card up to the switching date shall be charged to the account with the new bank on the original date of charging for said transaction, and, in particular: transactions up to the next charging date, installment transactions, ongoing transactions (demand for payment by beneficiary of debit authorization to charge a card) and collateral transactions that were transmitted up to the switching date.

### **Activity after the switching date**

- 35. After the switching date, the routing period in the sense of this term in this Directive shall begin. If transactions that are not included in the routing obligation under the Governor's rules reach the old account, the old bank may return them much as it would return transactions in a closed account.
- 36. Routing will continue in accordance with the period set forth in the Governor's rules. The new bank shall apprise the customer of the end of the routing period at least sixty days before the end of the routing period.
- 37. It is the banks' responsibility to update entities that make transactions (credit or debit) with the old account or with a bank credit card issued to the customer's account with the old bank, about a change in the details of the customer's account. Said update shall be carried out on approximately the switching date or that of the transfer of the transaction, whichever is earlier.
- 38. The new bank shall show the customer, in the itemized presentation of his or her transactions in the account, routed activity flowing from activity with a bank credit card that the customer held in the old account, separate from other routed activity, noting the name of the card operator in addition to the name of the old bank.

39. The new bank shall present the customer with a semiannual update, in ways that shall be agreed upon with the customer, about routed financial activity including the names of the debiting and crediting entities.
40. Cancellation of routing—the new bank shall allow the customer to cancel routing at any time of his or her choosing during the routing period, provided the new bank explain to the customer the implications of taking this step. Said cancellation of routing shall go into effect within up to five business days from the date of the customer’s notice. Said request to cancel routing may be given by any of the owners of the account provided that this is done in accordance with the signatory rights in the account.
41. Routing of checks drawn on the old account—
  - (a) Any party that presents a check for collection shall examine, before presenting it, whether the account on which it was drawn has been transferred, in accordance with information that said party received for routing purposes. If the account on which the check is drawn has been transferred, the check shall be presented to the new bank.
  - (b) The new bank shall vet checks that are presented in the account of the new bank in accordance with its procedure for vetting of checks, relying on the information that it received from the old bank within the framework of the switching of banks, where relevant.

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## Updates

<b>Circular 06 no.</b>	<b>Version</b>	<b>Details</b>	<b>Date</b>
2597	1	Original Circular	December 16, 2019
2670	2	Update	August 17, 2021
2669	3	Update	September 30, 2021

### Appendix—FAQ about the Implementation of Proper Conduct of Banking Business Directive 448

<b>Question 1:</b>	Under circumstances of technical breakdown at the new bank, the old bank, or the automatic clearinghouse (MASAV) on the switching date, does the transfer process start all over or does it continue?
Answer:	The transfer process continues and is completed immediately after the mishap is repaired, provided it is repaired within a reasonable period of time.
<b>Question 2:</b>	Do the requirements in Section 18(d) of the Directive create an exemption from having to carry out a Know-Your-Customer proceeding?
Answer:	The provisions in Section 18(d) are meant to assure familiarity with the activity that the customer intends to transfer to the new bank and does not relate to the comportment of the new bank for the honoring of its obligations under the Prohibition of Money Laundering Law, 5660-2000.
<b>Question 3:</b>	How should the new bank carry out its vetting process for the purpose of a balance designated for transfer?
Answer:	<p>To decide whether there is an obligation to transfer the account, the balance designated for transfer at the old bank and the relevant “balance” at the new bank need to be compared.</p> <p><b>Debit balance</b>—if the balance designated for transfer at the old bank is positive (“debit balance”), it is compared against the existing restrictions at the new bank concerning holding funds in debit or receipt of funds, if any (restrictions stemming from prohibition of money laundering, digital opening of account, and so on).</p> <p>A positive balance at the old bank may be created in several ways: the customer has a positive balance in a current account and has no negative balances, or has a positive balance in a current account and smaller negative balances as a result of a loan that is not intended to remain with the old bank.</p> <p><b>Credit balance</b>—if the balance designated for transfer at the old bank is negative (“credit balance”), it is compared with the available balance at the new bank.</p> <p>A negative balance at the old bank may be created in several ways: the customer has a negative balance in his or her current account and no additional loans; the customer has a negative balance in his or her current account and additional negative balances as a result of loans not intended to remain with the old bank; the customer has a positive balance in his or her current account and larger negative balances as the result of a loan that is not meant to remain with the old bank.</p>
<b>Question 4:</b>	If the old bank receives a transfer of foreign currency from abroad after the customer switches banks, what should it do?

Answer:	There is no obligation to route current activity in foreign currency. The customer should be advised of this as part of the information sheet that he or she will receive when he or she applies to switch banks. To eliminate doubt, it is stated for clarity that the old bank may allow current activity in foreign currency to be routed provided it receives the customer's consent to this step.
<b>Question 5:</b>	How should the bank advise the customer that a tax event may occur pursuant to his or her switching banks?
Answer:	The bank should make this clear to the customer on the information sheet that it gives him or her when he or she submits the request to switch banks.
<b>Question 6:</b>	Can the new bank require customers to agree to report their mobile-phone number and email address to the old bank so that they may be contacted in order to deal with existing products at the old bank?
Answer:	Customers cannot be forced to share this information. However, they should be asked to do it by consent and, if they refuse, they should be advised that the difficulty in being contacted by the old bank may result in the use of defaults in switching banks or terminating the switch.
<b>Question 7:</b>	How should the old bank behave in regard to debits of immediate finality (e.g., RTGS) that are received from another bank after the switching date?
Answer:	<p>According to Section 3(5) of the Governor's rules, Section 5b1(b) of the Law shall apply, <i>inter alia</i>, to a transfer of funds in NIS to a customer's current account with the old bank that was completed after the customer's financial activity was transferred. This, with the exception of the transfer of funds between providers of payment services, in which finality of payment to the customer is immediate, and insofar as the new bank offers said activity to its customers.</p> <p>The exception in the Governor's rules of the transfer of funds between payment-service providers in which finality of payment to the customer is immediate concerns a case in which said transfer of funds takes place between different payment-service providers. Accordingly, it is stated for clarity that the old bank shall not receive debits of immediate finality from any other bank on or after the switching date.</p>
<b>Question 8:</b>	How should the banks behave in cases of customers who have deposits that confer tax benefits?
Answer:	The old bank should send the new bank a statement about the existence of the tax benefit. The new bank is entitled to ask the customer for support documentation in order to adopt these benefits, if any.
<b>Question 9:</b>	Does Section 29 relate to products both in NIS and in foreign currency?
Answer:	Yes, there is no distinction between NIS in foreign currency except where explicitly stated.

<b>Question 10:</b>	What conduct is required when balances that are transferred to the new bank, in accordance with Section 26(d)(2), do not comply with the restrictions set forth in the Governor's rules (credit balance exceeding unused facility or debit balance not compliant with the restrictions)?
Answer:	When the soundness of the request is vetted, attention should be given to every parameter in accordance with the exact date appearing in the Governor's rules. For example, checking of ownership of an account is relevant from the date of the request up to the date on which the switch takes place, whereas vetting of balances is relevant to the date on which the switch takes place. Therefore, insofar as the matter concerns a parameter that the new bank receives before the date established in the rules, the new bank is expected to use it to motivate the customer to take action but may not use it as a pretext for terminating the process.
<b>Question 11:</b>	What conduct is required when the customer has a mutual fund at the old bank?
Answer:	A mutual fund is included in the definition of a security in the Governor's rules. In accordance with Section 29(c), a security that cannot be transferred will remain with the old bank and the funds shall be transferred by means of an authorization to credit the account, as set forth in Section 18(e)(3).
<b>Question 12:</b>	After the day of the transfer, should the old bank send the customer a statement of account in accordance with Section 30(a) of the Banking (Service to Customer) (Full Disclosure and Provision of Documents) Rules, 5752-1992?
Answer:	A statement of account in accordance with Section 30(a) of the rules includes an itemization of transactions in the account. Once the transfer is completed and the financial activity has been transferred to the new bank, there is no requirement of sending a statement of account relating to the activity transferred. To eliminate doubt, after the switching date, Section 15b of Proper Conduct of Banking Business Directive 420 shall apply.
<b>Question 13:</b>	How should the bank review a request to transfer an account that has an open position transaction or an open MAOF transaction?
Answer:	These transactions are a type of credit; therefore, these accounts should be reviewed in accordance with the Directive.