

## **ACTIVITY OF A BANKING CORPORATION IN A CLOSED SYSTEM**

### **Introduction**

1. (a) In the wake of technological advances in the areas of communications and information technology, branches of banking corporations no longer constitute the sole focus of customers' activities.
- (b) Due to these changes, and in order to encourage competition within the banking system in general and the private customer segment in particular, the activity of a banking corporation within a closed system, as defined in section 2 below, is set out herewith, in order to make it easier for customers to deposit money in a banking corporation in which their current banking activity is not conducted.
- (c) The aforesaid arrangement enables a customer to deposit money in any banking corporation without having to enter its branch or open a current account.
- (d) Money shall be transferred by means of electronic banking services that are occupying an increasingly prominent place in the area of transactions, via ATMs, and by any other accepted means, provided that in the process of transferring money sufficient particulars are noted to ensure that the holder of the deposit in the banking corporation is also the holder of the current account from which the money is withdrawn (whether a single holder or jointly with others).
- (e) The basic condition for a closed system is the return of the money at the end of the deposit period, and without any further instruction by the depositor, to the current account from which it was withdrawn.

### **Definitions**

2. **“Activity in a closed system”** - The transfer of a customer's money, in accordance with his instruction, from a current account in one banking corporation for deposit

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in an account in another banking corporation, and the return of the money, at the end of the deposit period and without any further instruction from the depositor, to the current account from which it was withdrawn;

**“A customer”** -

Excludes a corporation;

**“A transferring bank”** -

The bank in which the current account of the customer from which the money is withdrawn is situated;

**“A transferee bank”** -

The banking corporation in which money which is transferred from the transferring bank is deposited;

### **Opening the deposit account**

3. (a) The transferee banking corporation shall require the customer to sign the deposit agreement as required under the Banking (Service to Customer)(Full Disclosure and Submission of Documents), 5742–1992 Rules.

The documents shall be submitted for signing to the customer by being sent to the customer’s address by means of the regular mail delivery service, by fax, by a print-out at one of the terminals of the transferee banking corporation, or by e-mail over the internet and printed on the customer’s printer.

- (b) The agreement shall include an explicit and emphasized instruction regarding the return of the money to the current account from which it was transferred, and regarding the inability of the customer to give instructions for the transfer of the money to another account except in the cases specified in section 9 below.
- (c) The customer shall sign the agreement and return it signed to the transferee banking corporation.

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- (d) The agreement shall go into effect only after the transferee banking corporation has received the agreement and the transferring bank has transferred the money.
- (e) The money deposited in the deposit account shall not be subject to lien or offsetting by the transferee banking corporation; the deposit agreement shall include an explicit instruction to this effect.

**Transferring money**

- 4. (a) The transfer of money from the transferring bank to the transferee banking corporation shall be implemented in the accepted way for transferring money, provided that it enables the transferee banking corporation to verify that the particulars of the customer as they appear in its records are identical with those of the holder of the current account in the transferring bank.
- (b) The transfer may be implemented by the deposit of a personal check upon which appear identifying particulars enabling the identity of the account holder to be verified as aforesaid.
- (c) If the transfer is implemented by an authorization to debit an account, the debit should note the full particulars of the holder of the account for which the authorization is given in such a way as to enable his identity to be verified, as stated in subsection (a).
- (d) When the transfer of money is implemented as a direct instruction from the customer to the transferring bank, the transferee banking corporation must examine the identification particulars, as stated in subsection (a).

**Issuing an instruction via the internet to open a deposit account**

- 5. Without detracting from the foregoing in section 3, when an instruction to open a deposit account is issued via the internet, the following procedure should be followed:
  - (a) The transferee banking corporation shall give the customer a secret code which he must key in when giving the instruction to deposit money.

- (b) Every effort should be made to avoid transferring electronically particulars that will identify the customer, such as his identification number or the full number of his credit card.
- (c) The transferee banking corporation must enable the customer, on the computer screen, to retract his instruction to deposit money, change the details of his instruction, or approve the implementation of the transaction.

**Issuing an instruction via a cellular phone to open a deposit account**

6. Without detracting from the foregoing in section 3, when an instruction to open a deposit account is issued via a cellular phone, the following procedure should be followed:
- (a) The transferee banking corporation shall give the customer a secret code which he must key in when giving the instruction to deposit money.
  - (b) Every effort should be made to avoid transferring electronically particulars that will identify the customer, such as his identification number or the full number of his credit card.
  - (c) The transferee banking corporation must enable the customer, on the cellular phone display, to rescind his instruction to deposit money, change the details of his instruction, or approve the implementation of the transaction.
  - (d) Technology shall be used to ensure that the identity of the owner of the telephone, and the secret code issued to him by the bank or the cellular phone company, is verified against the identity recorded in the cellular phone company's database of persons eligible to issue instructions via a cellular phone.
  - (e) The information transferred from the transferee banking corporation to the cellular phone company and vice versa shall be encoded.
  - (f) The cellular phone company shall serve solely as an intermediary, and a database shall not be transferred to it, except for the database of persons permitted to use this service.

- (g) When the cellular phone company operates an I.V.R. (Internal Voice Recognition) station for the transferee banking corporation:
- (1) The agreement between the transferee banking corporation and the cellular phone company that provides the service shall be in accordance with section 7 of the Proper Conduct of Banking Business [Regulation No. 357](#).
  - (2) The information in the databases connected with the operation of the I.V.R. station, shall be the minimum needed for operation, and shall not enable information to be checked against the details of the customer's account.
  - (3) The information shall be kept in the database of the cellular phone company for a limited time that shall not exceed one business day.
  - (4) The databases shall be registered as required with the registrar of databases.

**Issuing an instruction using a debit card at an ATM to open a deposit account**

7. Without detracting from the foregoing in section 3, when an instruction to open a deposit account is issued using a debit card at an ATM, the following procedure should be followed:
- (a) The customer shall use his debit card in the ATM of the transferee banking corporation and key in his identification number.
  - (b) The customer shall be provided with an agreement, unless he has received an agreement in another form.
  - (c) The customer shall sign the agreement, in accordance with the Banking (Service to Customer)(Full Disclosure and Submission of Documents) Regulations, 5752–1992, and place it in the service box situated adjacent to the ATM, or send it to the transferee banking corporation.
  - (d) Upon concluding the implementation instruction, the customer shall receive a printed notification giving the details of the deposit, in accordance with the Banking (Service to Customer)(Full Disclosure and Submission of Documents) Regulations, 5752–1992.

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- (e) Banking corporations must enable all customers to transfer money from their current accounts in order to deposit it in other banking corporations using debit cards at the terminals of the banking corporations and at ATMs. The money that is so transferred shall not exceed the maximum permitted amount customary in the transferring banking corporation.
- (f) The interbank fee involved in a deposit as aforesaid in this section shall be based on the existing fees and commissions regarding the electronic transfer of money.

**Notification of non-implementation of transaction**

- 8. If the instruction to deposit money was not implemented, the transferee banking corporation must inform the customer of this, giving the reason for it, immediately upon ascertaining that this is the case.

**Returning money to the current account**

- 9. (a) The transferee banking corporation shall return the money at the end of the deposit period, without any further instruction from the customer, to the current account from which it was withdrawn.
- (b) If the customer informs the transferee banking corporation, at the end of the deposit period, that he has closed the current account from which the deposit money was withdrawn, and provides written confirmation of this from the transferring bank, the transferee banking corporation shall undertake verification as stated in subsection c(3) below.
- (c) In cases in which at the end of the deposit period it is not possible to return the deposit money to the transferring bank because the current account has been closed, the following procedure should be followed:
  - (1) The transferee banking corporation shall invest the money as stated in the Banking (Dormant Accounts) Order, 5743–1983.
  - (2) The transferee banking corporation shall take the following steps to locate the customer:

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- a.* The transferee banking corporation shall endeavor to establish contact with the customer by sending a notification to the customer's address as it appears in its records.
- b.* In the absence of any response from the customer within two weeks of the notification being sent, the transferee banking corporation shall contact the transferring bank in order to ascertain the address left by the customer for sending notifications regarding the account that has been closed, in accordance with Proper Conduct of Banking [Regulation no. 432](#) - Closing a Customer's Account, and shall try to establish contact with the customer at that address, if it differs from the one in the transferee banking corporation's records.
- c.* In the absence of any response from the customer within two weeks of the notification being sent, the transferee banking corporation shall contact the Population Registry and ask for the customer's address and shall send a notification to that address, if it differs from the one in the transferee banking corporation's records.
- d.* If the address recorded in the Population Registry is the same as the one in the transferee banking corporation's records, or if no response is received after the notification is sent to the address that appears in the Population Registry, the transferee banking corporation shall try to establish contact with the customer every six months by sending a notification to the most recent address in its records.
- e.* If the transferee banking corporation has not managed to establish contact with the customer within a year from the date on which the deposit is repaid, it shall issue a notice to that effect, *inter alia* on its internet site, in which it requests that the customer make contact with it.
- f.* The transferee banking corporation is entitled to deduct from the money in the deposit the cost of publishing the notice in the paper, as paid.

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- (3) If the transferee banking corporation locates the customer, it shall ensure that the account-holder to whom the deposit is paid is the holder of the current account from which the money was withdrawn, as determined in the Money Laundering (The Banking Corporations' Requirement Regarding Identification, Reporting, and Record Keeping) Order, 5761–2001.

### **Informing the Supervisor of Banks**

10. If a banking corporation is about to offer banking activity as outlined in this regulation, it shall inform the Supervisor of Banks of this in writing at least 60 days in advance.

### **Internal auditing**

11. The management of the banking corporation shall determine procedures for the internal auditing of adherence to these requirements, and for minimizing the banking corporation's exposure to the risks associated with activity undertaken in accordance with this regulation.

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