

## BANKING (LICENSING) LAW, 5741-1981\*

CHAPTER A: INTERPRETATION		
Definitions		
1.	In this Law -	
	<b>“Means of Control” in a Corporation</b> —any of the following:	
	(1) the right to vote at a general meeting of a company or in a corresponding organ of another incorporated entity:	
	(2) the right to appoint a director in a corporation, and, for this purpose:	
	(a)	a person who appointed a director in a corporation shall be deemed a person having the right to do so ;
	(b)	in regard to a corporation, of which an officer is appointed as director in another corporation, and in regard to anyone who controls said corporation, it is presumed that they have the right to make such appointment;
	(3)	the right to participate in the profits of the corporation;
	(4)	the right to the balance of assets of the corporation upon its liquidation after its obligations are settled;
	<b>“Credit”</b> —including a guarantee, acceptance of bills of exchange, discounting of bills of exchange, financing by leasing assets, opening or approval of documentary credit, and undertaking to pay money at another’s expense;	
	<b>“Long-term Credit”</b> —credit, that according to the terms therein , the average term of maturity of principal is two years or more;	
	<b>“A Principal Shareholder”</b> —anyone who holds more than 20% of any particular type of means of control;	
	<b>“The Advisory Committee”</b> —the Advisory Ccmmittee, appointed under section 6 of the Ordinance;	
	<b>“Holding” or “Acquisition”</b> —individually or in conjunction with others, directly or indirectly, including by a controlled corporation;	
	<b>“In conjunction with others”</b> —in conjunction with others through permanent cooperation; notwithstanding the generality of the above, the following shall be deemed as acting through permanent cooperation; in regard to an individual - the individual, his relative, and a corporation controlled by any one of them, and, in	

\*Sefer Hahukim [Israel Lawbook] 2989, p. 986—update #28.

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	regard to a corporation—the corporation, whoever controls it, and an entity controlled by any one of them;
	<b>“The Supervisor”</b> —the Supervisor of Banks, appointed under section 5 of the Ordinance;
	<b>“The Governor”</b> —the Governor of the Bank of Israel, appointed under section 6 of the Bank of Israel Law;
	<b>“The Ordinance”</b> —the Banking Ordinance, 1941;
	<b>“Underwriting Commitment”</b> —as defined in the Securities Law;
	<b>“The Bank of Israel Law”</b> —the Bank of Israel Law, 5770-2010;
	<b>“The Companies Law”</b> – the Companies Law, 5759-1999;
	<b>“The Pension Counseling and Marketing Law”</b> — Control of Financial Services (Pension Counseling and Pension Marketing and the Pension Settlement System) Law, 5765-2005;
	<b>“The Regulation of Investment Counseling Law”</b> — the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 5755-1995;
	<b>“The Securities Law”</b> — the Securities Law, 5728-1968;
	<b>“The Enhancing Competition and Reducing Concentration Law”</b> —The Enhancing Competition and Reducing Concentration Law, 5774-2013;
	<b>“Investment Counseling”</b> and <b>“Investment Marketing”</b> —as defined in the Regulation of Investment Counseling Law.
	<b>“Pension Counseling”</b> and <b>“Pension Marketing”</b> —as defined in the Pension Counseling and Marketing Law;
	<b>“Insurer”</b> and <b>“Insurance Agent”</b> —as defined in the Control of Financial Services (Insurance) Law, 5741-1981;
	<b>“Land”</b> — according to its meaning in the Land Law, 5729-1969, including a right in land or an obligation to perform a transaction in land;
	<b>“Investment Portfolio Management”</b> —according to its meaning in the Regulation of Investment Advice Law ;
	<b>“Officer”</b> —as defined in the Companies Law , and any other employee directly subordinate thereto;
	<b>“Branch”</b> —any place where a banking corporation accepts monetary deposits or conducts business with its customers, including a mobile branch, but excluding a facility through which a customer may carry out transactions in his account in a banking corporation;
	<b>“Monetary Deposits ”</b> —including loans;
	<b>“Provident Fund”</b> and <b>“Management Company”</b> —as defined in the Control of Financial Services (Provident Funds) Law, 5765-2005;
	<b>“Relative”</b> —a spouse, brother, parent, offspring, spouse’s offspring, and the spouse of any of the foregoing;
	<b>“Joint Investment Trust Fund”</b> —a fund as defined in the Joint Investment Trust Law, 5754-1994;
	<b>“Control”</b> —the ability, either individually or in conjunction with others, to direct the activity of a corporation, excluding ability originating solely in holding the post of director or other office in the corporation; without derogating from the

	<p>generality of the foregoing, a person shall be deemed as having control of a corporation if one of the following is fulfilled:</p> <p>(1) he holds half or more of any particular type of the means of control of the corporation;</p> <p>(2) he has the ability to prevent the making of business decisions in the corporation, except decisions concerning the issuance of means of control of the corporation or decisions concerning the sale or liquidation of the major part of the corporation's business or a material change thereof;</p>
	<b>“Banking Corporation”</b> —a bank, a foreign bank, a mortgage bank, an investment financing bank, a business promotion bank, a financial institution, or a joint services company;
	<b>“Bank Holding Corporation”</b> —a corporation in which the following two are fulfilled:
	<p>(1) it controls a banking corporation;</p> <p>(2) more than 5% of its total assets are means of control of banking corporations which it controls and loans to such corporations;</p>
	<b>“Foreign Corporation”</b> —a corporation incorporated in a foreign country;
	<b>“Auxiliary Corporation”</b> —a corporation which is not in itself a banking corporation and whose activities are limited to the fields of activity permitted to the banking corporation controlling it, except activities reserved exclusively for banking corporations under sections 13 or 21;
	<b>“Nonfinancial Corporation”</b> —a corporation which, under the provisions of Chapter C, a banking corporation may not control or be a principal shareholder therein.

### Terms of licenses

2.	Whoever is authorized to issue a license, a permit, or an approval under this law may set conditions and limits thereto, according to the considerations specified in this Law.
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## CHAPTER B: LICENSING BANKING CORPORATIONS

### License requirement

3.	A banking corporation shall exist only under a license pursuant to this Law.
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### Licenses

4.	(a) The Governor may, at his discretion and after consulting with the Licensing Committee appointed under section 5, issue—
	(1) to a company as defined in the Companies Law—
	(a) a bank license;
	(b) a mortgage bank license;
	(c) an investment financing bank license;
	(d) a business promotion bank license;
	(e) a financial institution license;

		(f)	a joint services company license.
		(2)	to a foreign corporation registered in Israel that is a bank in a foreign country—a foreign bank license.
	(b)		A license is not transferable.
<b>Licensing committee</b>			
5.	(a)		The Governor shall appoint five members of the advisory committee to act as the Licensing Committee.
	(b)		A person who controls, is a director, or an employee of a banking corporation or of a corporation that controls a banking corporation shall not serve as a member of the Licensing Committee.
	(c)		A person who ceases to be a member of the Advisory Committee shall cease to be a member of the Licensing Committee.
	(d)		Decisions of the Licensing Committee shall be reached by a majority of its members.
	(e)		The Licensing Committee may determine a procedure for its work and deliberations.
<b>Considerations in Issuing Licenses</b>			
6.			In issuing licenses under this Law, the following matters shall be taken into consideration:
	(1)		the applicant's plan of action and probability of its fulfillment;
	(2)		the suitability of the holders of means of control, the directors and the managers for their positions;
	(3)		the contribution of issuing the license to the competition in the capital market and, in particular, to the competition in the banking system and the standard of its service;
	(4)		the Government's economic policy;
	(5)		the public welfare;
	(6)		in respect to a foreign bank—reciprocity in banking corporation licensing between Israel and the country in which the applicant has its main business.
<b>Minimum capital</b>			
7.	(a)		A license shall not be issued unless the applicant's issued and paid-up capital is no less than the sum set out in the First Addendum.
	(b)		The Governor, with the approval of the Minister of Finance and the Finance Committee of the Knesset, may increase by order the sums set out in the First Addendum.
	(c)		If the sums set out in the First Addendum are increased, each banking corporation shall increase its issued and paid-up capital to the increased sum within one year; the Supervisor may extend the one-year period to a specific banking corporation.

<b>License Revocation</b>		
8.	The Governor, after consulting with the Licensing Committee, may revoke a license in any of the following cases, after providing the banking corporation a reasonable opportunity to present its arguments:	
	(1)	the corporation requested the revocation of its license;
	(2)	the corporation has not begun to conduct business or has ceased to conduct them;
	(3)	the corporation breached a material term of its license;
	(4)	the corporation's capital decreased to an amount less than the sum set out in the Addendum, or the banking corporation did not increase its capital as set forth in section 7(c);
	(5)	the corporation violated a legislative provision in a manner that prejudices its credibility;
	(6)	the corporation is served with a liquidation order or is placed in receivership, except where the receiver is appointed under sections 27, 33, or 35;
	(7)	the corporation passed a resolution of voluntary liquidation;
	(8)	public welfare reasons entail the necessity of revoking the license.
<b>Continued supervision of a corporation whose license is revoked</b>		
9.	(a)	For the purposes of the Ordinance and the Bank of Israel Law, a banking corporation whose license is revoked shall be deemed a banking corporation for three years after the date of revocation.
	(b)	The Governor may issue a banking corporation, whose license is revoked, with instructions concerning the conduct of its business insofar as he considers this necessary for the protection of the corporation's creditors and its other customers who contracted with it before revocation; such instruction shall not release the corporation of its responsibility to perform any obligation undertaken prior to revocation.
<b>CHAPTER C: FIELDS OF ACTIVITY OF BANKING CORPORATIONS AND THEIR EXCLUSIVENESS</b>		
<b>Fields of activity of a bank</b>		
10.	A bank shall engage only in the following occupations:	
	(1)	acceptance of monetary deposits in current accounts in order to make payments therefrom by check upon demand;
	(2)	acceptance of other monetary deposits;

	(3)	issuing securities;
	(4)	managing a payment system, including the collection, transfer, and conversion of funds;
	(4a)	purchase and sale of foreign currency;
	(5)	providing credit;
	(6)	investing in securities or investing in gold for monetary purposes;
	(7)	custody and management of negotiable instruments, securities, rights, and other assets on behalf of others as agent, custodian, representative or trustee, provided that it does not manage a business enterprise within the framework of said occupation, and except issuing an underwriting commitment, management of a provident fund, management of a joint investment trust fund, and investment portfolio management;
	(8)	rental of safe deposit boxes;
	(9)	purchase and sale of securities as trader or agent;
	(10)	financial and economic advice within its fields of occupation;
	(11)	brokering in financial and economic transactions within its fields of occupation, except brokering in transactions of purchase or sale of commodities or land;
	(11a)	pension counseling, and performance of a transaction for a customer as defined in the Pension Counseling and Marketing Law, as part of and pursuant to pension counseling, subject to the provisions of sections 11 and 52(b) and (c) of the Pension Counseling and Marketing Law;
	(11b)	investment counseling, subject to the provisions of section 9(b) of the Regulation of Investment Counseling Law;
	(11c)	investment marketing under the provisions of section 9(c1) of the Regulation of Investment Counseling Law;
	(11d)	management of the accounts system of provident funds for the management company, including management of members' accounts on behalf of the fund, and preparation and delivery of information intended for members;
	(11e)	sale and operation of computer services that mainly serve the bank;
	(11f)	rental of land that serves the bank for use of computer services and operation, to a renter that will make use of the land for the same ends;
	(12)	an occupation which a bank is explicitly permitted by law to engage in;
	(13)	any other action ancillary to an occupation which a bank is permitted to engage in.

### Control and holding means of control by a bank

11.	(a)	A bank may not control, or be a principal shareholder, in corporations other than the following:	
		(1)	(deleted);
		(2)	a foreign corporation which, were it to conduct business in Israel, would be required to be licensed under this Law;
		(3)	(deleted);

		(3a)	a corporation which engages in issuing an underwriting commitment and its other occupations are those which a bank is permitted to engage in under section 10;
		(3b)	a corporation which engages in investment portfolio management;
		(3c)	(deleted);
		(4)	(deleted);
		(5)	an unspecified corporation of a different type which the Supervisor approved after consulting with the Licensing Committee.
	(b)	In addition to the provisions of subsection (a), a bank may also control a corporation which is one of the following:	
		(1)	an auxiliary corporation, provided the bank controls it alone and has obtained the Supervisor's prior written approval of said control, and the approval covers, <i>inter alia</i> , the fields of occupation of the auxiliary corporation; however, the Supervisor, after consulting with the Licensing Committee, may permit the bank to control the auxiliary corporation in conjunction with others;
		(2)	a corporation which is an insurance agent (in this subsection—an insurance agent), provided all of the following are fulfilled:
			(a) the insurance agent's sole occupation is borrowers' life insurance or home insurance, which are carried out incidentally to providing housing loans to customers of the bank or customers of another banking corporation which controls, or is controlled by, the bank;
			(b) the bank controls the insurance agent alone;
			(c) the bank holds all means of control in the insurance agent alone;
			however, the Supervisor, after consulting with the Licensing Committee, may permit the bank to control an insurance agent alone even if said agent engages in insurance activities as set forth in subsection (a) which are carried out incidentally to issuing housing loans to customers of a banking corporation which is not as set forth in said subsection, and even if the condition set forth in subsection (c) in respect of the bank is not fulfilled, provided the Supervisor is convinced that providing the permit does not prejudice the development of competition and the prevention of concentration in the banking industry - generally, and in the field of insurance business listed in subsection (a) - in particular; for the purposes of this Paragraph, a "housing loan" is a loan issued for a non-business purpose and secured by the encumbrance of the right to or pertaining to a home.
<b>Holdings by controlled corporations</b>			
11a.	(a)	For the purpose of this Chapter and in regard to section 47, means of control held by the following shall not be taken into account—	

		(1)	a corporation engaging in issuing an underwriting commitment and is controlled by a banking corporation, provided that said means of control are held by force of an underwriting commitment, that less than a year has passed from the date of their acquisition, and that the corporation does not vote at a general meeting by virtue of holding said means of control;
		(2)	a corporation controlled by a banking corporation managing a joint investment trust fund, a provident fund, or a company managing a provident fund.
11b.	(a)	In this section—	
		“Means of payment”—as defined in the Payment Services Law, 5779-2019;	
		“Bank with a wide scope of activity”—a bank, the value of whose assets is greater than 20 percent of the total value of assets of banks in Israel; in this regard, “Value of assets” of a bank is the value of the bank’s assets appearing in the bank’s balance sheet for the last year compiled on a consolidated basis, based on generally accepted accounting principles applicable to it;	
		“Issue” of a payment card <sup>1</sup> —contractual agreement of a payment card with a customer, and in regard to contractual agreement of a credit card with a customer, including a commitment to extend credit via the card;	
		<p>“Credit-card contract” – a contract between a customer and an issuer, according to which the customer undertakes to pay the issuer the remuneration for the assets purchased from a supplier using the credit card, and the issuer undertakes vis-à-vis the customer to pay the remuneration to the supplier; the customer’s payment to the issuer can be through debiting the customer’s account at a banking corporation or through any other way;</p> <p>“Payment-card contract” - a contract between a customer and an issuer for the use of a payment card;</p> <p>“Credit card” – a means of payment that is a reusable plate or object designated for purchasing assets from a supplier without immediate payment of the remuneration;</p> <p>“Bank card” – a means of payment that is a reusable plate or object, designated for withdrawing money from bank automated teller machines or for purchasing assets by debiting the customer’s account at a banking corporation and crediting another person by using the card at a machine designated for that at the supplier’s place of business;</p> <p>“Payment card” – credit card, bank card, or stored-value card;</p> <p>“Stored-value card” – a means of payment that is a reusable plate or object, designated for purchasing assets from a supplier, on which a financial value can be accumulated by reloading it, except for a reusable</p>	

<sup>1</sup> “Payment card” refers to credit and debit cards. The term “payment card” in this Law is termed “debit card” in the Debit Card Law.



		plate or object that can only be loaded with cash, and through which the customer's account cannot be debited; "Customer" – the person for whose use the payment card was issued; "Issuer" – an entity that deals in using payment cards; "Asset" – property, goods, cash, services, or rights; "Supplier" – an entity that sells an asset as an occupation; "Transaction" – a transaction between a customer and a supplier to sell an asset;
		"Acquirer" and "Acquiring"—as defined in Section 36(i);
		"Issuance operation" of a payment card—all the activities and services connected with issuing a payment card, including producing and operating the card, and excluding the issuance itself and setting the fees and costs to a customer inherent in producing and using a payment card.
	(b)	Notwithstanding the provisions of Sections 10 and 11, a bank with wide scope of activity shall not engage in the occupations detailed below and shall not control or hold means of control in a corporation that engages in said occupations:
		(1) issuance operation of payment cards;
		(2) Acquiring payment card transactions.
	(c)	The provisions of subsection (b) do not derogate from the possibility for a bank with wide scope of activity to contract with another in order to operate the issuance of payment cards or to contract with an acquirer as a supplier.
	(d)	In the period from the end of four years after the commencement date of the Increasing Competition and Reducing Concentration in the Banking Sector in Israel Law (legislative amendment), 5777-2017, (in this subsection, the Increasing Competition Law), until the end of six years after said commencement date, the Minister of Finance, with the consent of the Governor and with the approval of the Finance Committee of the Knesset, taking into account, among others, the state of competition in the credit market, may determine, with regard to the definition of "bank with a wide scope of activity" in subsection (a), a share lower than 20 percent, provided it is not lower than 10 percent; if said regulations were determined, the provisions of Chapter 2 of the Increasing Competition Law shall apply, with adjustments set in those regulations.
<b>Establishment of computer infrastructure and obligation to sell and operate computer services and rent land serving the needs of computer services and operation</b>		
11c.	(a)	Within 9 months of the commencement date of the Increasing Competition Law, the Ministry of Finance shall carry out one of the following, unless other technology infrastructures that are sufficient for supplying and operating computer services to financial entities were set up:

		(1)	publish, in consultation with the Bank of Israel, a tender for the establishment of technological infrastructures for supplying and operating computer services; the terms of the tender shall ensure the economic feasibility of setting up said infrastructure, including financing from the government, if the Minister of Finance shall decide that such financing is required; the Minister of Finance may, within three months of said commencement date, determine that the tender is to be published by another entity;
		(2)	establish rules for providing grants, loans, or guarantees that make it possible to supply and operate computer services to financial entities.
	(b)		The Minister of Finance may extend the date referenced in the opening clause of subsection (a) by three months,
	(c)		If the Minister of Finance determined, after 18 months from the commencement date of the Increasing Competition Law, that competition has not yet developed in the area of technological infrastructures for supplying and operating computer services to financial entities, and that there aren't sufficient technological alternatives to provision of said technological services, and that it is required for increasing the competition in the banking sector, the Minister, in consultation with the Governor and the Director-General of Competition, may determine that a bank that is not a bank with a narrow scope of activity is required to sell and operate computer services that primarily service it, or to rent land that serves the bank for purposes of computer operations and services, and all to financial entities; the Minister shall determine the remuneration and terms of the contract, provided that the Minister established that all the following existed:
		(1)	A financial entity approached a bank that operates computer services that primarily serve the bank, or a bank that owns land serving the bank for the purposes of computer services and operation, with a request to purchase services from it or to rent said land, and the sides do not reach agreement regarding the remuneration and terms of the contract within 6 months from the date of the financial entity's approach;
		(2)	The remuneration or terms of the contract proposed by the bank to the financial entity are not reasonable.
	(d)		If the Minister of Finance determined as related in subsection (c), the bank shall not hold up the sale and operation of computer services or the rental of land serving it for uses of computer operation and services, provided that the financial entity pays the remuneration determined by the Minister,
	(e)		If the Supervisor sees that imposing an obligation per subsection (c) is liable to unsettle the technological stability of a certain bank, the Supervisor may exempt the bank from said obligation as noted in said subsection, in part or in whole.
	(f)		In this section—

		“bank with a narrow scope of activity”—a bank, the value of whose assets as it appears in the bank’s balance sheet for the last year compiled on a consolidated basis, based on generally accepted accounting principles applicable to it, does not exceed on the commencement date of the Increasing Competition Law 10 percent of the total value of assets of banks in Israel;	
		“financial entity”—a banking corporation or credit and deposit union as defined in the Control of Financial Services (Regulated Financial Services) Law, 5776-2016;	
		“Increasing Competition Law”—as defined in Section 11b(d).	
	(g)	The provisions of subsection (c) shall not derogate from the applicability of the provisions of the Economic Competition Law, 5748-1988, on an arrangement to supply and operate computer services between a bank that was obligated to do so under subsection (c) and a financial entity.	
<b>Fields of activity of a foreign bank</b>			
12.	(a)	A foreign bank in Israel shall engage only in the occupations permitted to a bank under section 10.	
	(b)	A foreign bank shall not control, and shall not be a principal shareholder, in a corporation conducting business in Israel unless a bank is permitted to control said corporation or to be a principal shareholder therein under section 11.	
<b>Special provisions for a specific bank and a foreign bank</b>			
12a.	(a)	Notwithstanding the provisions of sections 10 to 12—	
		(1)	a bank and a foreign bank, to which, under section 27i, the provisions of Chapter 2c do not apply, may also control and be principal shareholder in a management company and in a manager of a joint investment trust fund;
		(2)	a bank and a foreign bank as set forth in paragraph (1), which are not permitted, according to section 10 or section 12, to engage in pension counseling or investment counseling, may also engage in the following occupations:
		(a)	pension marketing, and performing a transaction for a customer, as defined in the Pension Counseling and Marketing Law, as part of and pursuant to said pension marketing, provided that, in regard to the bank or foreign bank, as the case may be, the condition set forth in section 3(1) of the Pension Counseling and Marketing Law is fulfilled;
		(b)	investment marketing.

<b>Exclusiveness of activities for a bank and a foreign bank</b>			
13.	Anyone that is neither a bank nor a foreign bank shall not engage in acceptance of monetary deposits in current accounts for the purpose of payment therefrom by a check upon demand.		
<b>Fields of activity of a mortgage bank</b>			
14.	A mortgage bank shall engage only in the following occupations:		
	(1)	issuing securities;	
	(2)	acceptance of monetary deposits for the provision of loans and other monetary deposits as approved by the Supervisor;	
	(3)	providing long-term credit for financing purchase of land or for financing purchase of a right in consideration of key-money relating to a rented property to which the Tenant Protection Law (Consolidated Version), 5732-1972, applies, or for financing construction, and providing short-term credit for financing construction to be repaid once the land purchaser obtains long-term credit for said purchase from the bank or from another banking corporation;	
	(4)	providing government-directed credit out of monetary deposits created for the provision of loans, for financing purchase of land, financing purchase of a right in consideration of key-money as stated in Paragraph (3), or financing construction;	
	(5)	issuing a guarantee under the Sale (Apartments)(Assurance of Investments of Persons Acquiring Apartments) Law, 5735-1974;	
	(6)	investing in securities;	
	(7)	depositing monetary deposits with banking corporations and with the State Treasury;	
	(8)	financial and economic advice within its field of occupation;	
	(9)	brokering in financial and economic transactions within its field of occupation;	
	(10)	an occupation which a mortgage bank is explicitly permitted by law to engage in;	
	(11)	any other action ancillary to an occupation which a mortgage bank is permitted to engage in.	
<b>Control and holding means of control by a mortgage bank</b>			
15.	A mortgage bank may not control, and may not be a principal shareholder in corporations other than the following:		
	(1)	(deleted);	
	(2)	an auxiliary corporation, provided the provisions of section 11(b)(1) are fulfilled;	
	(2a)	a corporation which is an insurance agent, provided the provisions of section 11(b)(2) are fulfilled;	

	(3)	an unspecified corporation of a different type approved by the Supervisor after consulting with the Licensing Committee.
<b>Fields of activity of an investment financing bank</b>		
16.	An investment financing bank shall engage only in the following occupations:	
	(1)	issuing securities;
	(2)	acceptance of monetary deposits created for the provision of loans and other monetary deposits as approved by the Supervisor;
	(3)	providing long-term credit for the financing of investments, excluding credit for financing the acquisition of an apartment, and providing short-term credit to be repaid once the borrower obtains long-term credit from the bank;
	(4)	providing, for investment financing, government-directed credit out of monetary deposits created for the provision of loans;
	(5)	issuing a guarantee to the state or to another banking corporation on behalf of a customer who has encumbered some of his assets to the bank, or issuing a guarantee to another party on behalf of a customer who created a fixed charge on all his assets for the bank, assets not otherwise encumbered;
	(6)	investing in securities;
	(7)	depositing monetary deposits with banking corporations and with the State Treasury;
	(8)	financial and economic advice within its field of occupation;
	(9)	brokering in financial and economic transactions within its field of occupation;
	(10)	an occupation which an investment financing bank is explicitly permitted by law to engage in;
	(11)	any other action ancillary to an occupation which an investment financing bank is permitted to engage in.
<b>Control and holding of means of control by an investment financing bank</b>		
17.	An investment financing bank may not control, and may not be a principal shareholder in corporations other than the following:	
	(1)	(deleted);
	(2)	an auxiliary corporation, provided that the provisions of section 11(b)(1) are fulfilled;
	(3)	an unspecified corporation of a different type approved by the Supervisor after consulting with the Licensing Committee.

Fields of activity of a business promotion bank			
18.	A business promotion bank shall engage only in an occupation mentioned in section 10, except paragraph (1).		
Control and holding of means of control by a business promotion bank			
19.	(a)	A business promotion bank may not control or be a principal shareholder in corporations other than those listed in section 11.	
	(b)	A business promotion bank shall not hold means of control in a banking corporation or in a bank holding corporation.	
	(c)	Notwithstanding the provisions of subsection (a), a business promotion bank may also control, or be a principal shareholder in another corporation, for a period not exceeding six years, provided the following conditions are satisfied:	
		(1)	the control or holding as a principal shareholder falls within its activities in the following fields:
			(a) the promotion or formation of corporations, except corporations that deal mainly in land, or the expansion of activities of said corporations in the first five years of their business activity;
			(b) the recovery of companies in difficulty, which have concluded a debt settlement agreement with their creditors, or part of such agreement;
		(2)	The total assets of any other corporation as set forth in paragraph (1)(a), as appearing in its consolidated financial statement, shall not exceed 80 million New Israeli Shekels (NIS) at any time, and the total said assets of any other corporation as set forth in paragraph (1)(b) shall not exceed NIS 160 million at any time; the Governor, with the approval of the Finance Committee of the Knesset, may update the sums mentioned in this paragraph; a notice of the updated sums shall be published in Reshumot.
	(d)	For the purposes of this Chapter, a banking corporation which controls a business promotion bank, shall not be considered as having control or being a principal shareholder in another corporation that the business promotion bank controls or is a principal shareholder therein, as stated in subsection (c), unless the banking corporation holds, in some other way, 10% or more of any particular type of means of control in the other corporation.	
	(e)	The Governor, with the approval of the Minister of Finance and the Finance Committee of the Knesset, may determine by order -	
		(1)	a maximum rate for investments of a business promotion bank in a corporation it controls, or in which it is a principal shareholder, and a maximum rate for its investments in all corporations as aforesaid, all of which as a percentage of the capital of the business promotion bank;

	(2)	a maximum rate for the assets of a corporation, which a business promotion bank controls, or is a principal shareholder therein, and a maximum rate for the assets of all corporations as aforesaid, all of which as a percentage of the capital of the business promotion bank;
	(3)	a maximum rate for the investments of a banking corporation or of a bank holding corporation in a business promotion bank which it controls, as a percentage of the capital of the banking corporation or of the bank holding corporation.
	(f)	An order mentioned in subsection (e), may determine rules defining capital, investments and assets, and the method of calculating them.

### Type of activity of a financial institution

20.	(a)	A financial institution shall engage only in the types of occupation listed in section 10, except paragraph (1), as set forth in its license.
	(b)	A financial institution may control, and may be a principal shareholder only in a corporation listed in section 11, as set forth in its license.
	(c)	The Supervisor shall publish a notice in Reshumot concerning issuing a license to a financial institution, specifying the types of occupation it is permitted to engage in.

### Holding of means of control in another Banking Corporation

20a.	(a)	Notwithstanding the provisions of this Chapter, a banking corporation shall not hold means of control in another banking corporation, or in a bank holding corporation, unless one of the following exists:
	(1)	its share in any particular type of means of control does not exceed 1%, and its total holdings as mentioned in this paragraph, of means of control in banking corporations and bank holding corporations, do not exceed 5% of its capital within the meaning of that term in section 23a; for this purpose, the holding of whoever controls the holding banking corporation, and is not a banking corporation itself, shall not be taken into account;
	(2)	it controls the banking corporation or the bank holding corporation alone and holds alone more than half of any particular type of means of control according to a permit provided to it under the provisions of section 34.
	(b)	The provisions of this section shall not apply to the holding of means of control, which are intended in good faith to secure an obligation

### Exclusiveness of activities for Banking Corporations

21.	(a)	A person that is not a banking corporation shall not engage in—
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		(1)	acceptance of monetary deposits and providing credit at the same time;
		(2)	the issue of securities which entails a prospectus under section 15 of the Securities Law, and providing credit at the same time; In this regard, "issue" includes registering securities for trading on the stock exchange, as defined in the Securities Law.
	(a1)		Notwithstanding the provisions of Subsection (a), an individual, association (Amuta), or charitable company that has a license, according to the Regulation of Provision of Interest-Free Deposit and Credit Services by Charitable Institutions Law, 5779-2019, or one who provides interest-free deposit and credit services and is not subject to a licensing requirement under the above law, may engage in the provision of interest-free deposit and credit services even if they are not a banking corporation, provided that the scope of their activity does not exceed the scope of banking activity as defined in the said law.
	(b)		For the purpose of this section—
			<b>"Acceptance of monetary deposits"</b> —from thirty or more persons at the same time, except—
		(1)	acceptance of credit from a banking corporation;
		(2)	acceptance of credit from suppliers;
		(3)	acceptance of advance payments from buyers;
		(4)	acceptance of a monetary deposit to secure an obligation;
			<b>"Option"</b> —as defined in section 35p of the Securities Law;
			<b>"Securities"</b> —except shares and options which confer the right to acquire shares;
			<b>"Debentures"</b> —as defined in section 35a of the Securities Law, provided they entail a prospectus under section 15 of the said Law;
			<b>"Providing credit"</b> —except—
		(1)	depositing a monetary deposit at a banking corporation;
		(2)	providing credit to suppliers or buyers including via a settlement association to its members as an incidental activity to other occupations of the credit provider; in this regard, "Settlement association"—a collective Kibbutz, a renewing Kibbutz, or collective settlement, as defined in regulations according to Section 65 of the Settlement Association Ordinance;
		(3)	providing credit to employees of the creditor;
		(4)	investments in securities traded on the Stock Exchange;
		(5)	providing credit to a corporation which controls the creditor or to a corporation in which more than 25% of any particular type of means of control are held by the creditor or by a person who controls the creditor;
		(6)	providing long-term credit originating in debentures, provided all the following exist:



		(a)	the creditor is a corporation that engages solely in providing credit originating in its capital and in the debentures, as aforesaid, to corporations in which all the following exist: (1) they are related by a professional or organizational interest (hereinafter - interest); for this purpose, the acceptance of credit from a creditor shall not be considered an interest; (2) they have an interest in the creditor or in a corporation which controls the creditor, or the creditor controls them or they control the creditor;
		(b)	balances not provided as credit as aforesaid are deposited in a banking corporation or invested in government debentures;
		(c)	the creditor operates on a non-profit basis;
		(d)	the prospectus specifies names of credit recipients or types of credit recipients; credit will not be provided except to those specified;
		(e)	final maturity dates of credit shall be no later than final maturity dates of the debentures issued for the purpose of providing said credit;
		(7)	providing long-term credit originating in debentures, if the prospectus under which the debentures were offered to the public notes that the offeror's purpose is to use the proceeds of the issue for providing credit to a person whose name appears in the prospectus or for the acquisition of the rights of a banking corporation vis-à-vis lenders.
		(8)	for the purpose of subsection (a)(2), providing credit by a corporation that engages in providing credit, originating <i>inter alia</i> in debentures, provided that the provisions of subsections (a) or (b) exist:
		(a)	Regarding a corporation, the activity of which is subject to capital adequacy and liquidity directives, that a regulator set out for the purpose of supervising the corporation's stability—total par value of the corporation's debentures held by the public does not exceed NIS 15 billion; in this subsection, "Regulator" – the Supervisor, the Supervisor of Financial Services Providers according to its meaning in the Control of Financial Services (Regulated Financial Services) Law, 5776-2016, or the Capital Market, Insurance and Savings Commissioner, as relevant, "Debentures" – including commercial securities, provided they require a prospectus under Section 15 of the Securities Law, for which the corporation is committed to pay for them an amount of money to the holder on a date not earlier than 270 days from the offer date; in this regard, "commercial

				securities” and “holder” as defined in Sections 1 and 35a of the Securities Law, respectively;
			(b)	Regarding a corporation for which the provisions of Subsection (a) do not exist—the total par value of the debentures held by the public does not exceed NIS 5 billion.
<b>Insurance companies and provident funds</b>				
22.				For the purpose of section 21, the acceptance of money by an insurer, and by a management company for provident funds it manages, shall not be considered acceptance of monetary deposits.
<b>Providers of deposit and credit services at a smaller scope than that of banking services</b>				
22a.	(a)			The provisions of exclusiveness of activity in Section 21(a)(1) shall not apply to an organization that is engaged in providing deposit and credit services, at a scope smaller than that of banking services.
	(b)			In this section, “Organization”, “Scope of banking services” and “Deposit and credit services”—as defined in Sections 1 and 25a of the Control of Financial Services (Regulated Financial Services) Law, 5776-2016, as relevant.
<b>Fields of activity of a joint services company</b>				
23.	(a)			A joint services company shall engage only in the provision of services to financial entities or their customers and to the Bank of Israel; in this section, “financial entity” per its definition in the Banking (Service to Customer) Law, 5741-1981.
	(b)			The provisions of subsection (a) shall not apply to a joint services company that is an operator of a payment system that is a controlled system, and it shall be permitted to provide services to any person; in this regard, “operator” of a payment system” and “controlled system” are per their definition in the Payment Systems Law, 5768-2008.
<b>Total means of control in non-financial corporations</b>				
23a.	(a)			The total means of control, which a banking corporation may hold in nonfinancial corporations, as permitted under this Law, shall not exceed the following rates of a banking corporation’s capital, as defined for this purpose in Proper Conduct of Banking Business Directives, which the Supervisor issues in his authority under section 5(c1) of the Ordinance in regard to capital measurement and adequacy—
		(1)		up to 15% of its capital—in any nonfinancial corporations;

		(2)	up to an additional 5% of its capital—provided it does not hold more than 5% of any particular type of means of control in one corporation, and does not have the right to appoint a director;
		(3)	up to another 5% of its capital—in nonfinancial corporations, which are foreign corporations and do not engage in material and long-continued business activity in Israel.
		The Governor may allow higher rates than those in paragraphs (1) to (3) if he believes the means of control in nonfinancial corporations increased in value due to their profits, or that the banking corporation's capital has decreased due to its losses.	
	(b)	For the purpose of this section, means of control in a nonfinancial corporation shall not be included if held by the following:	
		(1)	another nonfinancial corporation, which the bank controls according to section 47;
		(2)	the banking corporation, or a corporation it controls, or is a principal shareholder therein, where they hold the means of control in trust or on behalf of another or under the provisions of sections 26 and 27;
		(3)	(deleted);
		(4)	(deleted);
<b>Holding means of control in a joint services company</b>			
24.	(a)	Banking corporations, which are not controlled by one person, shall not hold more than 50% of the means of control in a corporation, which engages in the provision of services to its members or to their customers and which does not have a joint services company license.	
	(b)	The provisions of this section shall not apply to the holding of means of control in a stock exchange as defined in the Securities Law.	
<b>Holding means of control in a significant nonfinancial corporation or in an insurer that is a significant financial entity</b>			
24a.	(a)	A banking corporation shall not hold more than 1% of a particular type of means of control in a significant nonfinancial corporation or in an insurer that is a significant financial entity.	
	(b)	Notwithstanding the aforesaid in subsection (a), a banking corporation may hold more than 1% of a particular type of means of control in one significant nonfinancial corporation and in one insurer that is a significant financial entity, provided that its holding in that corporation or insurer does not exceed 10% of a particular type of means of control in a corporation or insurer as abovementioned.	
	(c)	In this section -	

		"a significant nonfinancial entity" – as defined in section 35b, and in regard to that, the total value of the financial entity's assets will be calculated as the total value of its and the financial entities that it controls, assets. "a significant nonfinancial corporation" – as defined in section 35b.
<b>Restrictions on appointments in a nonfinancial corporation</b>		
24b.	(a)	A banking corporation shall not have the right to appoint a director in a nonfinancial corporation that is controlled by another nonfinancial corporation in which the banking corporation holds means of control, if the banking corporation does not hold other means of control in the nonfinancial corporation.
	(b)	A banking corporation shall not appoint, either singly or in conjunction with others, a chairperson of the board of directors, a chief executive officer or any other officer filling that position, or a chief financial officer in a nonfinancial corporation, and it is presumed that the banking corporation made such appointment if the appointee is an officer of the banking corporation.
<b>Expanding occupations of banking corporations</b>		
25.		The Governor, after consulting with the advisory committee and with the approval of the Minister of Finance and the Knesset by way of resolution, may determine an occupation in addition to those permitted to banking corporations under this Chapter, either generally, or to a certain type of banking corporations, or to a group within a certain type of banking corporations.
<b>Pledging of means of control</b>		
26.		Notwithstanding the provisions of this Chapter, a banking corporation may hold means of control in a nonfinancial corporation, if the means of control are intended in good faith to secure an obligation, provided that the banking corporation does not vote at a general meeting of said corporation, except for resolutions under section 350 of the Companies Law, resolutions pertaining to the voluntary winding up of the corporation, or resolutions which might prejudice its rights as creditor.
<b>Banking corporation as creditor</b>		
26a.	(a)	Notwithstanding the provisions of this Chapter, a banking corporation which has provided credit to a corporation may, in the credit agreement, be granted the ability to prevent the corporation from making business decisions insofar as this is necessary to assure its rights as a creditor, provided this is done in good faith, is reasonable under the circumstances,

		and the banking corporation does not hold more than 5% of any particular type of means of control in the corporation.
	(b)	Notwithstanding the provisions of subsection (a), the banking corporation may be granted the ability to prevent the appointment of an officer in the corporation only if the corporation is in financial difficulty, and has accepted a settlement concerning most of its debts and all this subject to the conditions mentioned in subsection (a), and for a period not exceeding four years.
<b>Sale of means of control</b>		
27.	(a)	A banking corporation which, contrary to the provisions of this Chapter, controls, is a principal shareholder, or holds means of control in another corporation, shall sell the unlawfully held means of control in the other corporation within a period set by the Supervisor.
	(b)	A banking corporation which, due to the realization of means of control that secured an obligation as stated in section 26, acquires control, becomes a principal shareholder or holds means of control in another corporation contrary to the provisions of this Chapter, shall sell its means of control in the other corporation within a period set by the Supervisor, after providing the banking corporation an opportunity to present its arguments.
	(c)	If the banking corporation fails to sell said means of control according to the instruction of the Supervisor under subsection (a) or subsection (b), the District Court, at the Supervisor's request, may appoint a receiver for the sale of the means of control.
<b>CHAPTER C1: HOLDING OF MEANS OF CONTROL BY INSTITUTIONAL INVESTORS</b>		
<b>Definitions</b>		
27a.	In this Chapter—	
	<b>“Institutional Investor”</b> – any one of the following:	
	(1)	a management company - in respect of all provident funds it manages;
	(2)	a joint investment trust fund manager, in respect of all funds it manages;
	(3)	another corporation, which holds or manages other people's money and to which the Minister of Finance, after consultation with the Governor, determines that the provisions of this Chapter apply;
	<b>“Related institutional investors”</b> - institutional investors controlled by the same banking corporation or by the bank holding corporation of that banking corporation, as well as institutional investors, which are not controlled by a banking corporation or by the bank holding corporation as aforesaid, but are	

		managed by a corporation as aforesaid, and their investment committee includes a member who is an employee or director of such corporation;
		“Shares” - shares and securities convertible into shares, traded on the Stock Exchange as defined in the Securities Law.
<b>Restrictions on institutional investor</b>		
27b.		An institutional investor shall not hold means of control in a banking corporation which controls it, or in a banking corporation controlled by a bank holding corporation which controls the institutional investor as well.
<b>Holding of institutional investors in another banking corporation</b>		
27c.	(a)	Related institutional investors shall not hold, collectively, means of control in another banking corporation at a rate exceeding 5% of each type of means of control.
	(b)	The share of each related institutional investor in the permissible rate of means of control, as mentioned in subsection (a), shall be determined once per quarter on the basis of the pro rata share of the value of its share investments out of the value of total share investments of all related institutional investors.
	(c)	No later than the fourteenth day of December, March, June, and September of each year, a related institutional investor shall report to the banking corporation controlling it, or to the bank holding corporation controlling it, as the case may be, the value of its holdings in shares at the end of the month preceding the day of the report; the banking corporation or the bank holding corporation, as the case may be, shall calculate the rate of means of control which each related institutional investor may hold as mentioned in subsection (b), and shall notify the institutional investor and the Supervisor of these rates by the twentieth day of said months; these rates shall obligate the institutional investor in respect of the quarters beginning on January 1, April 1, July 1, and October 1, as the case may be.
	(d)	If a related institutional investor's holding of means of control exceeds the rate which it is permitted to hold under subsection (b) due to a change in its permissible rate of holding as determined in the notice received according to subsection (c), it shall reduce said holding to its permissible rate within one month from the date on which the notice, according to subsection (c), was received.
<b>Sale of means of control</b>		
27d.		Where an institutional investor holds means of control in a banking corporation in contrary to this Chapter, and has been given 14 days' written notice thereof, the Supervisor shall apply to the District Court to issue instructions concerning the sale of the excess means of control.

<b>CHAPTER C2: CONTROLLING AND HOLDING MEANS OF CONTROL IN MANAGEMENT COMPANY, IN JOINT INVESTMENT TRUST FUND MANAGER, AND IN INVESTMENT-PORTFOLIO MANAGEMENT CORPORATION</b>				
(See Appendix concerning transitional provisions)				
<b>Holding means of control by banking corporation</b>				
27e.	(a)	Notwithstanding the provisions of this Law—		
		(1)	a banking corporation shall not hold means of control in a management company or in a joint investment trust fund manager;	
		(2)	a banking corporation shall not hold more than 10% of any particular type of means of control in a corporation that controls a management company or a joint investment trust fund manager, or in a corporation that holds more than 25% of any particular type of means of control in the company or fund manager.	
	(b)	Notwithstanding the provisions of this Law—		
		(1)	a banking corporation shall neither control nor hold more than 5% of any particular type of means of control in a corporation that engages in management of investment portfolios that include assets of a joint investment trust fund, assets of provident funds, or assets of an insurer credited to its insured;	
		(2)	a banking corporation shall hold no more than 20% of any particular type of means of control in a corporation controls a corporation that engages in investment portfolio management as mentioned in Paragraph (1), or in a corporation holding more than 25% of any particular type of means of control in a corporation that engages in occupations as abovementioned.	
<b>Holding means of control by whoever controls a banking corporation</b>				
27f.	(a)	Whoever controls a banking corporation shall not hold more than 5% of any particular type of means of control in a management company or in a joint investment trust fund manager, and shall not hold more than 10% of any particular type of means of control in another corporation that controls one of the foregoing or that holds more than 25% of any type of means of control therein.		
	(b)	Whoever controls a banking corporation shall not hold more than 5% of any particular type of means of control in a corporation engaging in investment portfolio management as mentioned in section 27e(b) and shall not hold more than 20% in a corporation that controls a corporation engaging in investment portfolio management as aforementioned or that		

		holds more than 25% of any particular type of means of control in a corporation that engages in said activity.
<b>Charge as a holding</b>		
27g.	The provisions of sections 27e and 27f shall also apply to holding of means of control that secure an obligation except means of control intended, in good faith, to secure an obligation held by a banking corporation, provided the provisions of section 26 apply to the banking corporation; the provisions of this section shall not derogate from the provisions of the Joint Investment Trust Law, 5754-1994, or from those of the Supervision of Financial Services (Provident Funds) Law, 5765-2005.	
<b>Sale of means of control</b>		
27h.	The provisions of section 27 shall apply, <i>mutatis mutandis</i> , to a banking corporation and to whoever controls it, that control or hold means of control contrary to the provisions of this Chapter.	
<b>Non-applicability to a certain bank or foreign bank</b>		
27i.	The provisions of this Chapter shall not apply to a bank, a foreign bank, or to whoever controls either of them if the number of its customers at its branches in Israel does not exceed 5,000, and one of the following circumstances is present therein —	
	(1)	the customer's total assets held at the bank or at the foreign bank, as the case may be, does not exceed NIS 5 million;
	(2)	the customer's total liabilities toward the bank or the foreign bank, as the case may be, does not exceed NIS 5 million.
<b>CHAPTER D: ACTIVITIES REQUIRING A PERMIT</b>		
<b>Branches</b>		
28.	(a)	A banking corporation shall not open a branch and shall not conduct business therein, except according to a permit the Supervisor, or a Bank of Israel employee so authorized by him, has issued after consulting with the Licensing Committee.
	(b)	A business promotion bank shall have no more than four branches in Israel.
	(c)	The requirement of obtaining a permit to open a branch in a foreign country shall not apply to a foreign bank.



<b>Closing permanent branches</b>				
28a.	(a)	In this section -		
		"The Supervisor" – including a Bank of Israel employee so authorized by the Supervisor;		
		"A Permanent Branch" – a branch which was granted a permit to open and offer its services in a permanent place for an unlimited period of time.		
	(b)	A banking corporation, before closing a permanent branch, shall submit to the Supervisor a substantiated request in writing; the Supervisor may request further details, if he deems so necessary, for reviewing the request.		
	(c)	The Supervisor shall give a substantiated resolution in writing within 30 days from receiving the request to close a permanent branch, and had he asked for further details as mentioned in subsection (a) – within 30 days from receiving them; in said resolution the Supervisor shall detail consent or objection to the closure request, and may set conditions for closure of the permanent branch, including postponement of requested closure date; the Supervisor may extend said periods, provided substantiated written notice was given to the banking corporation.		
	(d)	A decision concerning objection to the closure of a permanent branch shall be made after the banking corporation was given an opportunity to present its arguments and after consulting with the Licensing Committee.		
	(e)	Where a decision under this section concerning consent to the closure of a permanent branch was made, the banking corporation shall announce to the customers of the branch of its closure, in writing, and in any other manner in which it usually delivers messages to its customers; the banking corporation may close the branch after 60 days from delivering the message in writing as abovementioned.		
<b>Considerations in issuing a branch permit and in the decision of closing a permanent branch</b>				
29.	In issuing a branch permit, and in the decision of closing a permanent branch according to section 28a, the following matters shall be taken into consideration:			
	(a)	the contribution of the branch to services rendered to the banking corporation's customers or to the development of its business;		
	(b)	the scope of the banking corporation's business activities, its capital, its profitability, and its ability to manage the branch;		
	(c)	in respect of a branch outside Israel—the Supervisor's ability to supervise its activity;		
	(d)	the Government's economic policy;		
	(e)	the public welfare.		

<b>Revocation of branch permit</b>			
30.	(a)	The Supervisor may revoke a branch permit, after providing the banking corporation a reasonable opportunity to present its arguments and after consulting with the Licensing Committee, if one of the following exists:	
		(1)	the corporation has not begun to conduct business at the branch or has ceased to conduct them;
		(2)	the corporation breached a material term of its license;
		(3)	the corporation violated a material provision of this Law, of the Ordinance, or of the Bank of Israel Law, in managing the branch;
		(4)	in respect of a branch outside Israel—the Supervisor cannot supervise its activity and he believes this may be prejudicial to the assurance of the corporation's stability;
		(5)	public welfare reasons entail the necessity to revoke the permit;
	(b)	Once a branch permit is revoked, the banking corporation shall cease to conduct business at the branch within a period set by the Supervisor.	
<b>Holding means of control in a foreign corporation</b>			
31.	(a)	A banking corporation or a bank holding corporation shall not hold more than 10% of any particular type of means of control in a foreign corporation, which, were it to do business in Israel, would require a license under this Law - except under a permit provided by the Governor after consulting with the Licensing Committee.	
	(b)	The provisions of this section shall apply neither to a foreign bank nor to a bank holding corporation which controls a foreign bank and does not control other banking corporations.	
<b>Considerations for issuing a permit under section 31</b>			
32.	In issuing a permit under section 31, the following matters shall be taken into consideration:		
	(1)	the contribution of the foreign corporation to services rendered to customers of the permit applicant or of banking corporations which it controls, or to the development of the permit applicant's business;	
	(2)	the scope of the permit applicant's business, capital, profitability, and its ability to manage the foreign corporation;	
	(3)	the Supervisor's ability to obtain information about the foreign corporation's activity;	
	(4)	the Government's economic policy;	
	(5)	the public welfare.	

Revocation of permit under section 31				
33.	(a)	The Governor may revoke a permit issued under section 31, after providing the permit holder a reasonable opportunity to present its arguments and after consulting with the Licensing Committee, if one the following exists:		
		(1)	the corporation breached a material term of its license;	
		(2)	the permit holder violated a material provision of this Law, of the Ordinance, or of the Bank of Israel Law, in connection with the foreign bank;	
		(3)	the Supervisor does not receive sufficient information about the activity of the foreign corporation, and the Governor believes this may be prejudicial to the assurance of the permit holder's stability;	
		(4)	public welfare reasons entail the necessity to revoke the permit .	
	(b)	Once a permit is revoked, the permit holder shall sell the means of control in the foreign corporation within a period set by the Governor, until it no longer holds more than 10% of any particular type of means of control in the foreign corporation; failing this, the District Court, at the Supervisor's request, may appoint a receiver for the sale of the means of control as abovementioned.		
Control and holding means of control in a banking corporation				
34.	(a)	A person shall not hold more than 5% of any particular type of means of control in a banking corporation or in a bank holding corporation, except under a permit issued by the Governor after consulting with the Licensing Committee.		
	(a1)	A person shall not make an agreement with another in regard to their vote for the appointment of a director in a banking corporation or in a bank holding corporation, including in regard to their vote for his dismissal, except under a permit issued by the Governor, after consulting with the Licensing Committee; this provision shall not apply to a group of holders as per section 11d(a)(3)(b) of the Ordinance, in regard to a vote for the appointment of a director proposed by them under that section, or to a holder of means of control who agrees with another that the other will vote in his name and on his behalf without any discretion, as the said holder of means of control instructs him, provided that if the other holds, on his own behalf, means of control in the banking corporation or in the bank holding corporation, as the case may be, he shall not vote in the name and on behalf of more than one other holder.		
	(b)	A person shall not control a banking corporation or a bank holding corporation, except under a permit issued by the Governor, after consulting with the Licensing Committee.		
	(b1)	In issuing a permit under this section, the considerations specified in section 6 shall apply, <i>mutatis mutandis</i> , including the applicant's suitability to control, to hold the extent of means of control applied for, or		

		to agree in regard to voting for the appointment including the dismissal of a director, including his business experience, his other activities and businesses, his economic strength, and its clean record; the possible implications of issuing the permit in regard to the current or future control of the banking corporation, or the bank holding corporation, shall also be taken into account.
	(c)	The holder of means of control in a banking corporation or in a bank holding corporation, shall not transfer said means to another, knowing that the transferee requires a permit under this section and does not possess one.
	(d)	(Deleted).
	(e)	The provisions of subsections (a) and (b) shall not apply to a holder of means of control in a banking corporation or in a bank holding corporation due to a transfer under law.
	(f)	The provisions of this section shall not apply to means of control in a foreign bank, or in a bank holding corporation which controls a foreign bank and does not control any other banking corporation, unless the holder is an Israeli resident.
	(g)	The provisions of this section shall apply also to the holding of means of control in a banking corporation or in a bank holding corporation that secure an obligation, except means of control as abovementioned intended in good faith to secure an obligation held by a banking corporation, the quantity of which in any securities account belonging to a certain customer does not exceed 0.001% of said type of means of control.

### **Revocation or amendment of permit under section 34**

34a.	(a)	The Governor may revoke or amend a permit issued under section 34 after consulting with the Licensing Committee, if he has reasonable grounds to assume that one the following exists:
	(1)	the permit holder breached one of the material terms of the permit;
	(1a)	the permit holder violated one of the provisions of section 27f;
	(2)	the permit holder or an officer thereof has been convicted of an offense, the severity, nature, or circumstances of which justify the revocation or amendment of the permit;
	(3)	where the permit holder is a corporation—a liquidation order has been issued against it, or a receiver has been appointed for its assets or for a material part thereof due to default on a debt, and, where the permit holder is an individual— a receivership order in bankruptcy proceedings has been issued against him, or he has been declared legally incompetent;
	(3a)	the permit holder is a significant nonfinancial corporation or controls that corporation, the holder of means of control in a banking corporation that is a significant financial entity or in a bank holding corporation that controls it, or controls an

			abovementioned banking corporation, and all contrary to the provisions of section 35b(b).
		(3b)	the permit holder holds means of control in a significant nonfinancial corporation and controls a banking corporation that is a significant financial entity, contrary to the provisions of section 35b(c).
		(3c)	the permit holder controls a banking corporation that is a significant financial entity and controls an insurer that is a significant financial entity, contrary to the provisions of section 35b(d);
		(4)	there is a substantial concern about possible harm to the stability of the banking corporation, or concern regarding possible harm to public welfare - unless the permit is revoked or amended;
	(b)	The Governor shall not amend or revoke a permit, as stated in subsection (a), unless he provides the permit holder an opportunity to present its arguments, and to correct the breach within a period of 30 days.	
	(c)	(1)	if a permit holder, or an officer thereof, has been indicted for an offense the conviction in which, in the Governor's opinion, would justify revocation or amendment of the permit due to the severity, nature, or circumstances of the offense, the Governor may, after providing the permit holder an opportunity to present his arguments and after consulting with the Licensing Committee, amend the permit and determine provisions and conditions herein, which shall apply during a period that he shall determine.
		(2)	the provisions of Paragraph (1) shall also apply when a criminal investigation is opened against a permit holder or an officer thereof, concerning an offense as abovementioned in Paragraph (1), provided the Governor consults with the Attorney General concerning the criminal investigation.
<b>Governor's instructions to anyone acting without a permit under section 34</b>			
35.	(a)	If the Governor believes that a person acted without a permit under section 34, he may, after providing said person an opportunity to present his arguments and after consulting with the Licensing Committee, instruct —	
		(1)	the sale of means of control that person holds, in whole or in part, within a period determined by the Governor, so that said person shall not hold means of control of any type beyond the rate permissible without permit under section 34;
		(2)	that the right to vote or to appoint directors originating from the means of control that said person holds without a permit under section 34 shall not be exercised;
		(3)	that a vote cast by force of means of control held by said person without a permit under section 34, shall not count in said voting;

		(4)	that the appointment of a director effected by said person be annulled.
	(b)		If a person held means of control in a banking corporation or in a bank holding corporation due to a transfer under law, at a rate requiring a permit under the provisions of section 34, the Governor, after providing the holder an opportunity to present his arguments and after consulting with the Licensing Committee, may instruct him to sell said means of control, in whole or in part, within a period determined by the Governor, so that said person shall not hold means of control of any type beyond the rate permissible without a permit under section 34.
	(c)		If the Governor instructed as per provisions of subsection (b) to sell means of control, he may instruct as provided in subsections (a)(2)–(4), <i>mutatis mutandis</i> .
	(d)		If the holder of means of control fails to sell said means of control in accordance with the Governor's instructions under subsections (a) or (b), the District Court, at the Supervisor's request, may appoint a receiver for the sale of said means of control.
	(e)		A banking corporation shall make its best effort to prevent a person from acting by force of means of control he holds in contravention of the provisions of section 34.

### Appointment of a director in special cases

35a.	(a)	Where a director in a banking corporation was not appointed, or his term in office ceases for any reason, including failure to obtain a permit under section 34(a1), nullification of an appointment as per section 35(a)(4), the Supervisor's opposition to the appointment under section 11a(a) of the Ordinance, or ceasing the term in office under section 11a(e) of the Ordinance, and therefore the number of directors has fallen below the number that the Supervisor has determined as the appropriate number of directors in said banking corporation (in this section—the appropriate number of directors), or that therefore the composition of the directorate in the banking corporation failed to meet all legal requirements, the Supervisor shall instruct the banking corporation to call a general meeting within three months of the date of his instruction, or within a shorter period as he instructs if he believes the circumstances justify it, provided the period is not shorter than 60 days - for the purpose of appointing directors to complement the appropriate number of directors, or to modify the composition of the directorate so that it meets all legal requirements, as the case may be.
	(b)	Where the general meeting failed to appoint directors as required by the Supervisor under that subparagraph (a), the Supervisor shall instruct again to call a general meeting of the banking corporation within sixty days of the date of his re-instruction; if the required directors are not appointed even after the Supervisor's re-instruction, the committee for the appointment of directors in banking corporations, appointed under section

		36a (in this section—the Committee), shall appoint the number of directors required to bring said number up to the appropriate number, or to modify the composition of the directorate to meet all legal requirements, as the case may be.
	(c)	The term of office of a director appointed by the Committee under subparagraph (b) shall be until the second annual meeting following his appointment; in this regard – "annual meeting" – as defined in the Companies Law.
	(d)	The conditions set in section 11e(b) of the Ordinance shall apply to the appointment and term of office of a director appointed by the Committee under subparagraph (b).
<b>Prohibition of control and holding means of control in a banking corporation that is a significant financial entity</b>		
35b.	(a)	In this section – "A financial entity" and "A nonfinancial corporation" – as defined in section 28 to the Enhancing Competition and Reducing Concentration Law;
		"A significant financial entity" – a financial entity that fulfils one of the following:
	(1)	it is listed in the significant financial entities list;
	(2)	the provisions of section 29(a)(1) of the Enhancing Competition and Reducing Concentration Law, are fulfilled even if the entity is not listed in the significant financial entities list;
		"The significant financial entities list" – the significant financial entities list published according to section 29 of the Enhancing Competition and Reducing Concentration Law;
		"The significant nonfinancial corporations list" – the significant nonfinancial corporations list published according to section 30 of the Enhancing Competition and Reducing Concentration Law;
		"Controller" in a nonfinancial corporation – Including a holder of a cluster of control, as defined in the Companies Law, in a nonfinancial corporation that has no other controller;
		"A significant nonfinancial corporation" – a nonfinancial corporation in which one of the following is fulfilled:
	(1)	it is listed in the significant nonfinancial corporations list;
	(2)	the provisions of section 30(a)(1) of the Enhancing Competition and Reducing Concentration Law are fulfilled, even if not listed in the significant nonfinancial corporations list; however, for this matter, the authority granted to the Director-General of Competition at the end of the "determined cycle of sales " definition, in section 30(e) to the abovementioned law, will be granted to the Supervisor;
	(3)	the provisions of section 30(a)(2) of the Enhancing Competition and Reducing Concentration Law are fulfilled, even if not listed in

		the significant nonfinancial corporations list; however, for this matter, the authority granted to the Reduction of Concentration Committee at the ending of the "determined credit" definition, in section 30(e) to the abovementioned law, will be granted to the Supervisor.
	(b)	A nonfinancial corporation or its controller shall not control a banking corporation that is a significant financial entity and shall not hold more than 10% of a certain type of means of control in a banking corporation as mentioned or in a bank holding corporation that controls it, and if the abovementioned banking corporation is a banking corporation without a controlling core – shall not hold more than 5% of a certain type of means of control; the Governor may determine in regard to this subsection a rate lower than 10%, provided that it is no lower than 5%; in determining the abovementioned rate, the structure of the banking sector shall be considered.
	(c)	The holder of more than 5% of a certain type of means of control in a significant nonfinancial corporation (in this section – the holder) shall not control a banking corporation that is a significant financial entity; in regard to the rate of the holder's holdings, the holdings of the banking corporation, significant financial entities that control it or are controlled by it, or other financial entities that the holder holds, shall not be taken into account; in regard to calculating the determined sales cycle and the determined credit of the nonfinancial corporation according to section 30 of the Enhancing Competition and Reducing Concentration Law, a nonfinancial corporation that is not the holder or a corporation that is not a nonfinancial corporation in which the holder holds more than 5 of its means of control or a corporation that is not controlled by a corporation as abovementioned, shall not be taken into account.
	(d)	A controller of a banking corporation that is a significant financial entity shall not control an insurer that is a significant financial entity; In this regard, the total assets value of a significant financial entity is to be calculated as its total assets value and the total assets value of financial entities that it controls.
	(e)	A significant nonfinancial corporation or its controller that controlled a banking corporation that is a significant financial entity or held means of control in the abovementioned banking corporation or in a bank holding corporation that controls it, or, a holder of means of control in a significant nonfinancial corporation, that controlled a banking corporation that is a significant financial entity, contrary to the provisions of subsections (b) and (c), or a controller of a banking corporation that is a significant financial entity that controlled an insurer that is a significant financial entity, contrary to the provisions of subsection (d), shall sell the means of control that it holds, so that it does not hold any type of means of control above the rate permitted to hold according to this section, and the Governor or the Supervisor, if the Governor authorised him, may give directions in this matter, including directions as per subsections (1) to (4) of section



		35(a), <i>mutatis mutandis</i> ; the provisions of section 35(d) and (e) shall apply, <i>mutstis mutandis</i> ; in the event that the Governor or the Supervisor gave directions according to this section, a notice about that shall be sent to the banking corporation as well.
	(f)	Without derogating the powers of the Governor and the Supervisor to demand information according to this law, the Governor or the Supervisor, for the implementation of this section, may -
	(1)	demand from a controller or holder of means of control in excess of the rated mentioned in subsections (b) to (d) in a banking corporation, a bank holding corporation that controls it or an insurer or a person applying to hold or control as abovementioned, information regarding the total value of its assets and the assets of anyone whose total value of its assets is taken into account for determining that a financial entity is a significant financial entity; in this regard, "total value of assets" – as defined in section 29(d) of the Enhancing Competition and Reducing Concentration Law;
	(2)	demand from a controller or holder of means of control in excess of the rates mentioned in subsections (b) or (c), in a banking corporation that is a significant financial entity or in a bank holding corporation that controls it, or a person applying to hold or control as abovementioned, information in regard to its sales and credit data and anyone whose determined cycle of sales or its determined credit is taken into account for determining a nonfinancial corporation as a significant nonfinancial corporation, provided the Governor or the Supervisor shall not demand information according to this paragraph regarding credit granted to a natural person except after demanding information regarding credit granted to the relevant entities, and concluding that this information and the other information that he has is not enough in order to implement this section; for this matter, "credit", "determined credit", and "determined cycle of sales" – as defined in section 30(e) of the Enhancing Competition and Reducing Concentration Law.
	(g)	The provisions of this section shall not apply to means of control in a foreign bank or in a bank holding corporation which controls a foreign bank and does not control any other banking corporation, unless the holder is an Israeli resident.
<b>Reports on holding means of control</b>		
36.	(a)	A holder of more than 5% of any particular type of means of control in a banking corporation or in a bank holding corporation, which is controlled by whoever has a permit under section 34(b), shall present the banking corporation or the bank holding corporation, as the case may be, on April 1 of each year and at such other dates as the Supervisor shall determine, a report on the holding of said means of control in its possession and other details as the Supervisor shall determine, including the following:

		(1)	in regard to a corporate holder—its holders of control and those who hold 5% or more of any particular type of means of control therein;
		(2)	anyone for whom or for which the holder serves as an agent or trustee.
	(b)	(1)	A holder of more than 1% of any particular type of means of control in a banking corporation or in a bank holding corporation, in which all holders of means of control do not require a permit under section 34(b), shall present the banking corporation or the bank holding corporation, as the case may be, a report on his or its holding of said means of control and other details as the Supervisor shall determine, including the following details:
		(a)	its holder of control and if it has no holder of control - those who hold 10% or more of any particular type of means of control therein, and its directors as well;
		(b)	anyone for whom or for which the holder serves as an agent or trustee;
		(c)	in regard to anyone holding no more than 2.5% of any particular type of means of control in the banking corporation – if he objects that the banking corporation disclose in its reports details of his holding, as per section 37 of the Securities Law; where he does not give notice as aforesaid, he shall be regarded as consenting to the said disclosure, but he may, at any time afterward, notify his objection and it shall take effect at the end of three months as of the date of written announcement to the banking corporation;
		(2)	(deleted);
		(3)	the report under subparagraph (1) shall be presented on April 1 of every year and on other dates the Supervisor shall determine, and also whenever the holding of any particular type of means of control attains a rate requiring reporting under said subparagraph, and whenever the holding falls below that rate.
	(b1)		The Supervisor may instruct a particular corporation as per subsection (b)(1) to publish details, as he shall determine, regarding holders of means of control therein over a certain rate he has determined, provided this rate is no less than 1%, even if they objected to disclosing their holdings as per subparagraph (1)(c), for reasons, that shall be detailed, and provided that said instruction takes effect at least six months as of the date the instruction has been provided to the particular banking corporation.
	(c)		The Supervisor may order that a holder of means of control, who is under an obligation to the reporting requirement set forth in this section, shall submit said report directly to the Supervisor as well.
	(d)		The provisions of this section shall also apply to a holder of means of control in a banking corporation or in a bank holding corporation to secure an obligation, except where the holder is a banking corporation.

CHAPTER D1: COMMITTEE FOR THE APPOINTMENT OF DIRECTORS IN BANKING CORPORATIONS				
The committee for the appointment of directors in banking corporations				
36a.	(a)	The Governor shall appoint a committee for the appointment of directors in banking corporations (in this Chapter—the Committee).		
	(b)	The Committee shall be comprised of the following five members:		
		(1)	a retired judge of the Supreme Court or of the District Court, to be proposed by the Minister of Justice after consultation with the President of the Supreme Court, and he shall be the chairperson;	
		(2)	two members, to be proposed by the chairperson of the Committee appointed under subparagraph (1), after consultation with the Chairperson of the Securities Authority, who are experts on the economy and fulfill the provisions of section 16a of the Government Companies Law, 5735-1975 (13), or who hold or held senior academic posts at higher education institutes in pertinent fields;	
		(3)	two directors, serving as external directors in the banking corporation being discussed by the Committee, proposed by the Committee Chairperson and the members appointed under subparagraphs (1) and (2), in consultation with the Supervisor; in this regard, "External Director" – as defined in the Companies Law, or as per the Proper Banking Management Directives regarding the directorate, issued by the Supervisor under section 5(c1) of the Ordinance.	
	(c)	The Committee and its members shall not be regarded as holding means of control in the banking corporation discussed by the Committee, or as controlling said corporation.		
	(d)	The Committee is a Controlled Entity, as per section 9(6) of the State Comptroller Law, 5718-1958 (Consolidated Version).		
Restrictions during and after tenure				
36b.	(a)	In this section –		
		"Related Entity" – anyone controlling a banking corporation or a corporation controlled by a banking corporation or by whoever controls a banking corporation; "Association" - as defined in section 11e(e) of the Ordinance; "Substantial Holder" – anyone holding more than 2.5% of any particular type of means of control in the banking corporation discussed or about to be discussed by the Committee, anyone controlling the said holder, anyone controlled by any of them, a member of a group of holders as per section		

		11d(a)(3)(b) of the Ordinance, anyone controlling a member of said group of holders, and anyone controlled by any of them; <b>"Close Relationship"</b> – relations between a person and his relative, his partner, his employer, anyone to whom he is subject directly or indirectly, and a corporation he controls.
	(b)	No person shall be appointed or serve as a member of the Committee if any of the following exists:
	(1)	he or his relative hold means of control of any type in a banking corporation, in a related entity or in a substantial holder, except holding negotiable shares at a rate not exceeding a quarter of 1% of the issued and paid-up capital of any of them;
	(2)	anyone who has, or anyone with whom he has a close relationship has, in the two years preceding the nomination date, or as of the nomination date onward, an association with a banking corporation, a related entity, an officer in a banking corporation, or a substantial holder, and also anyone who has, as of the nomination date onward, an association with a relative of an officer in a banking corporation discussed, or about to be discussed, by the Committee, or with a relative or a partner of a substantial holder; in this regard, term of office as an external director by a Committee member appointed under section 36a(b)(3) – shall not be considered an association;
	(3)	he is a minister, a deputy minister or a Knesset member, or has a personal, business or political association with a minister or a deputy minister, or he is a State employee or an employee of a statutory corporation.
	(4)	the Governor believes he is not suitable to serve as a Committee member.
	(c)	Without derogating from the provisions of subsection (b)(2), anyone who has, or anyone with whom he has a close relationship has, business or professional ties with a banking corporation, a related entity, an officer in a banking corporation, or a substantial holder – shall not serve as a member of the Committee, even if said ties are not continuous except for negligible ones.
	(d)	Anyone who has served as a Committee member shall not be appointed as director in the banking corporation discussed by the Committee during his term, or in an entity related to the said corporation, shall not be employed by either, and shall not provide professional services to either, either directly or indirectly, including through a corporation he controls, unless a year has elapsed from the termination of his office as a member of the Committee as aforesaid; the provisions of this subsection shall not apply to a Committee member appointed under section 36a(b)(3), in regard to term of office as an external director in the banking corporation.
<b>Terms of office</b>		

36c.	(a)	A Committee member as per section 36a(b)(1) and (2) shall be appointed for a period not exceeding three years and he may be re-appointed for one additional term.		
	(b)	A Committee member as per section 36a(b)(3) shall be appointed shortly after an annual general meeting, and shall serve till after the next annual general meeting and shall serve as a Committee member as long as he serves as external director in the banking corporation, as per that section, and he may be re-appointed for additional periods.		
<b>Termination of office</b>				
36d.	A Committee member shall terminate office before the conclusion of his term upon one of the following:			
	(1)	He resigns by handing a letter of resignation to the Governor;		
	(2)	The Governor decides to remove him from office upon one of the following:		
	(a)	he is unable to discharge his function, or he does not discharge it appropriately;		
	(b)	one of the causes according to section 36b, rendering him ineligible for office, exists.		
<b>Proceedings</b>				
36e.	(a)	A majority of Committee members shall be a lawful quorum at its meetings, provided that said majority does not include a majority of members appointed under section 36a(b)(3).		
	(b)	Committee resolutions shall be passed by a majority vote of those participating in the voting; in the event of a tied vote, the Committee Chairperson shall have an additional vote.		
	(c)	The Committee shall determine its own procedure , including the method of electing the director it shall appoint as per section 35a(b) and the method of electing the candidate for director it shall propose to the general meeting as per section 11d of the Ordinance; the Committee's procedure shall be approved by the Supervisor and shall be published at the Bank of Israel's Internet site.		
<b>Validity of actions</b>				
36f.	The powers of the Committee and validity of its actions shall not be prejudiced by the vacancy of a member's position, or by a defect in his appointment or continued term.			
<b>Remuneration</b>				
36g.	Committee members shall be entitled to remuneration for participating at its meetings at a rate determined by the Governor, and shall not be entitled to any other remuneration and expense refund; the said remuneration shall be paid by the Bank of Israel.			

36h.	(Deleted);
<b>CHAPTER D2: ACQUIRING PAYMENT CARD<sup>2</sup> TRANSACTIONS</b>	
<b>Definitions</b>	
36i.	In this Chapter –
	<p>"<b>Company</b>" – as defined in the Companies Law, 5759-1999;</p> <p>"<b>Payment Card Contract</b>", "<b>Customer</b>", "<b>Issuer</b>", "<b>Asset</b>", "<b>Supplier</b>" and "<b>Transaction</b>" – as defined in Section 11b;</p> <p>"<b>Payment Card</b>"<sup>2</sup> – as defined in Section 11b, except for a reusable plate or object intended only for withdrawing cash through automated bank devices;</p> <p>"<b>Acquirer</b>" – the possessor of an acquiring license;</p> <p>"<b>Acquiring</b>" of payment card transactions – payment to a supplier as consideration for the assets which a customer had purchased from that supplier using a payment card, in exchange for receiving the value of the assets from the issuer of the payment card, and where payment to said supplier is made by the issuer – in exchange for receiving the value of the assets directly from the customer;</p> <p>"<b>4-party Acquiring</b>", of payment card transactions – acquiring executed by one who is not the issuer of the payment card with which the transaction is made;</p> <p>"<b>Acquiring License</b>" – a license under section 36k.</p>
<b>License requirement</b>	
36j.	No person may engage in acquiring payment card transactions , unless he possesses a license under section 36k.
<b>Acquiring License</b>	
(See transitional provision in Appendix)	
36k.	(a) The Governor may, at his discretion, and after consulting the Licensing Committee, issue a company with an acquiring license.
	(b) The Governor shall not issue an acquiring license under subsection (a), unless the issued and paid-up share capital of a license candidate is no less than the amount set by the Governor, by order, approved by the Minister of Finance and the Finance Committee of the Knesset, and in this regard the provisions of section 7(c) shall apply, <i>mutatis mutandis</i> .
	(c) The provisions of sections 6 and 8 shall apply to an acquiring license, <i>mutatis mutandis</i> .
	(d) For the purposes of the Ordinance, an acquirer whose license is revoked shall

<sup>2</sup> "Payment card" refers to credit and debit cards. The term "payment card" in this Law is termed "debit card" in the Debit Card Law.

		be deemed an acquirer for one year after the date of revocation and the provisions of section 9(b) shall apply in this regard, <i>mutatis mutandis</i> .
<b>Control and holding means of control in an acquirer</b>		
36kk		The provisions of sections 34, 34a, 35, 35b(a), (b), (e) and (f), and 36 shall apply, <i>mutatis mutandis</i> , to an acquirer as if it were a banking corporation; however, the Governor may determine, according to section 35b(b), a different rate than the rate applicable, according to that section, to a banking corporation, and all that according to that section.
<b>An acquirer with wide-scope of activity</b>		
36l.	(a)	In this section, " <b>An Acquirer with Wide-Scope of Activity</b> " – an acquirer who has cleared 20% or more of the number of payment card transactions acquired in Israel by acquirers, or of the total amount paid to suppliers in Israel by acquirers – in the year preceding the instruction by the Supervisor under subsection (b); in order to calculate said rate the Supervisor may deem the entities hereunder, in whole or in part, as part of the acquirer:
		(1) a company in which the acquirer is a principal shareholder;
		(2) a company controlling the acquirer;
		(3) a company, in which whoever controls the acquirer, is a principal shareholder.
	(b)	Where the Supervisor deems it necessary, in order to assure competition in the field of acquiring transactions with payment cards or to assure the benefit of customers or suppliers, he may, in consultation with the Director-General of Competition, direct that an acquirer with wide-ranging activity enter into a transaction with an issuer for acquiring transactions with payment cards issued by that issuer, if the Supervisor finds that said acquirer has refused to transact with the issuer on unreasonable grounds; in this regard –
		(1) imposing unreasonable terms by an acquirer, for transacting with an issuer, shall be regarded, among others, as a refusal on unreasonable grounds;
		(2) the refusal of an acquirer to transact with an issuer who is not subject, under law, to the Supervisor's supervision or that of the Capital Markets, Insurance and Savings Commissioner at the Ministry of Finance, shall be deemed a reasonable refusal.
<b>Hosted acquirer</b>		
36ll	(a)	An acquirer shall allow a hosted acquirer to conduct acquiring via it; the Governor, with the consent of the Minister of Finance, shall establish rules for regulating the status and operation of the hosted acquirer, including the hosting terms.
	(b)	If the acquirer and the hosted acquirer do not reach agreement on the price for hosting, the Governor shall instruct them with regard to the price that the hosted acquirer is to pay.

	(c)	In this section—
		“Payment system”—as defined in the Payment Systems Law, 5768-2008;
		“Hosted acquirer”—an acquirer that is not connected directly to the payment system and conducts acquiring through another acquirer, that is not a hosted acquirer.
<b>An issuer with a wide-scope of activity</b>		
36m.	(a)	In this section, " <b>An Issuer with a Wide Scope of Activity</b> " – an issuer that has issued 10% or more of the number of valid payment cards which have been issued in Israel, or an issuer that, through its payment cards, at least 10% of the sum of transactions executed in Israel through payment cards issued in Israel in the year preceding the year in which the Supervisor has published the list of issuers under subsection (d) - have been carried out, and the Supervisor has so informed him under that subsection; in order to calculate said rate, the Minister of Finance, in consultation with the Supervisor and with the Director-General of Competition, may direct that the entities hereunder, in whole or in part, be deemed part of the issuer, if he deems it necessary to assure competition in the field of acquiring transactions with payment cards or to assure the benefit of customers or suppliers.
		(1) a corporation in which the issuer is a principal shareholder;
		(2) a corporation controlling the issuer;
		(3) a corporation, in which whoever controls the issuer, is a principal shareholder.
	(b)	An issuer with a wide scope of activity shall not refuse, due to unreasonable grounds, to transact with an acquirer for executing 4-party acquiring of transactions with payment cards he has issued; in this regard—imposing unreasonable terms by an issuer, for transacting with an acquirer, shall be regarded, among others, as a refusal on unreasonable grounds.
	(c)	The Minister of Finance, in consultation with the Supervisor and with the Director-General of Competition, may exempt an issuer with a wide scope of activity from the provisions of subsection (b), if he deems that applying the said provisions may infringe upon competition in the field of issuing payment cards, in a way that the benefit from applying the provisions to ensure competition in the field of acquiring transactions with payment cards will be smaller than such an infringement, and considering the benefit of customers or suppliers.
	(d)	The Supervisor shall publish, at the Bank of Israel's Internet site, once a year, a list of issuers with wide scopes of activity, and shall so inform the issuers with wide-ranging activity not included in the said list in the year preceding the year of publication.
	(e)	(1) Notwithstanding the provisions of section 15A of the Ordinance, the Supervisor may divulge information or present any document to the Minister of Finance or to anyone on his behalf, provided he believes that, for the discharge of the duties of the Minister under this section, there is need to divulge the information or document;



		(2)	No person may divulge information or present any document provided to him under the provisions of this section; a person who contravenes the provision of this subsection shall be liable to one year's imprisonment or to a fine as stated in section 15a(c) of the Ordinance.
<b>CHAPTER E: LEGISLATIVE ADJUSTMENTS AND AMENDMENTS</b>			
<b>Amendment of the Banking Ordinance</b>			
37.	(The amendments have been inserted into the Ordinance.)		
<b>Amendment of the Bank of Israel Law</b>			
38.	(The amendments have been inserted into the Law.)		
<b>Amendment of the Cooperative Associations Ordinance</b>			
39.	Sections 56(3), 56(4), and 62 of the Cooperative Associations Ordinance are annulled.		
<b>Annulment of the Credit Banks Ordinance</b>			
40.	The Credit Banks Ordinance is annulled.		
<b>CHAPTER F: TRANSITIONAL PROVISIONS</b>			
<b>Existing institutions</b>			
41.	(a)	An entity incorporated in Israel that on Adar Bet 24, 5741 (March 31, 1981) (hereinafter: the determining date) lawfully conducted banking business within the meaning of this term in the Ordinance, is eligible for a bank license.	
	(b)	A foreign corporation that lawfully conducted banking business in Israel on the determining date is eligible for a foreign bank license.	
	(c)	A corporation that, on the determining date, engaged in providing long-term credit for the financing of the purchase of land and lawfully used the word "bank" in its name, or that held a license as a credit bank under the Credit Banks Ordinance, is eligible for a mortgage bank license.	

	(d)	A corporation that, on the determining date, engaged in providing long-term credit for the financing of investments and lawfully used the word “bank” in its name, is eligible for an investment financing bank license.
	(e)	A corporation that, on the determining date, held a license under section 3a of the Ordinance, is eligible for a financial institution license, allowing it to continue conducting the types of business in which a financial institution may engage and in which it engaged on the determining date.
	(f)	A corporation that, on the determining date, lawfully conducted business that it may no longer continue to conduct under section 21(a)(2) is eligible for a financial institution license, allowing it to continue conducting the types of business in which a financial institution may engage and in which it engaged on the determining date.
	(g)	A corporation in which more than 50% of the means of control are held by several corporations that are eligible for banking corporation licenses under this section and that, on the determining date, engaged in the provision of services to its members or to their customers, is eligible for a joint services company license.
	(h)	A corporation shall receive only one license under this section and, if it is eligible for a license of two or more types, shall choose one of them.

### Branch permits

42.	Whoever is eligible for a banking corporation license is also eligible for a branch permit for every location where it lawfully and regularly conducted business with its customers on the determining date.
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### Holdings in a foreign corporation

43.	A bank holding corporation or a corporation that is eligible for a banking corporation license, which on the determining date held more than 10% of any particular type of means of control in a foreign corporation to which section 31 applies, is eligible for a permit under section 31 in respect of the foreign corporation.
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### Issuance of licenses and permits to those eligible

44.	(a)	Whoever is eligible for a license or a permit under sections 41-43 that did not present the Governor with an application therefore by the end of six months after the determining date, shall be deemed to have renounced its license or permit.
	(b)	The Governor may establish conditions for the issuance of a license or a permit under sections 41-43 similar to the conditions that applied to the eligible entity under the Ordinance.

<b>Period for increasing capital</b>			
45.		A banking corporation that received a license under section 41 and has less capital than the amount specified in the Addendum for its type of banking corporation, must increase its capital to said amount by the end of three years after the determining date.	
<b>Prohibited business occupation</b>			
46.	(a)	A banking corporation that, on the determining date, engaged lawfully in an occupation in which it is prohibited to engage in, under the provisions of Chapter C, may continue to engage in said type of business occupation until the end of three years from the determining date.	
	(b)	A corporation that, on the determining date, lawfully conducted a type of business in which it is prohibited to engage under section 21(a)(2) and which does not wish to be licensed as a financial institution under section 41(f) shall not be considered in violation of the provisions of section 21(a)(2) if all of the following are fulfilled:	
		(1)	it informs the Governor, within six months from the determining date, that it renounces its eligibility for licensing as a financial institution;
		(2)	until all securities that it issued as set forth in section 21 are redeemed, it will not engage in providing new credit in the sense of this term in section 21, with the exception of credit meant to replace paid-up credit in order to maintain the coverage of securities that it issued up to the determining date.
<b>Permissible control of nonfinancial corporations</b>			
47.	(a)	A banking corporation that on Adar Bet 24, 5749 (March 31, 1989) controlled or was a principal shareholder in a nonfinancial corporation may continue to control or be a principal shareholder therein until the following dates and under the following conditions:	
		(1)	the banking corporation shall not be a principal shareholder in a nonfinancial corporation after Tevet 21, 5757 (December 31, 1996);
		(2)	the banking corporation shall not control a nonfinancial corporation after Tevet 12, 5759 (December 31, 1998);
		(3)	the banking corporation shall not provide credit to a nonfinancial corporation except in the ordinary course of business and under similar terms to credit provided to customers of the same type; the Supervisor may set a maximum rate for said credit, either generally or for a specific bank;

		(4)	directors or employees of the banking corporation, or of banking corporations that it controls, shall not constitute a majority of directors in the nonfinancial corporation.
	(b)	The provisions of Chapter C shall not apply to control and principal shareholding status in a corporation (hereinafter—a sub-subsidiary) that originate in holding means of control through a nonfinancial corporation that is controlled under the provisions of subsection (a), provided the following conditions are satisfied:	
		(1)	the banking corporation shall not assist the nonfinancial corporation, directly or indirectly, to finance the acquisition of means of control in the sub-subsidiary;
		(2)	the provisions of Paragraph (3) in subsection (a) shall apply to the sub-subsidiary as well;
		(3)	directors or employees of the banking corporation, or of banking corporations that it controls, shall not be officers in the sub-subsidiary.
	(c)	If a banking corporation fails to reduce means of control it holds in nonfinancial corporations that it controls, as required under the provisions of subsection (a)], the District Court, at the Supervisor's request, may appoint a receiver for the sale of said means of control.	
<b>Reducing total sum of means of control in nonfinancial corporations</b>			
47a.	A banking corporation that on Adar Bet 24, 5749 (March 31, 1989) held means of control in nonfinancial corporations in an amount exceeding that permitted under the provisions of section 23a, shall reduce said holdings until it holds the permissible amount, in the following increments:		
	(1)	one-fifth by Tevet 14, 5751 (December 31, 1990);	
	(2)	one-fifth in each year between 1991 and 1994.	
<b>Definitions</b>			
47b.	In sections 47c, 47d, and 47e— “Amendment 13”—the Banking (Licensing) Law (Amendment 13), 5764-2004; “The coming into force of Amendment 13”—Elul 15, 5764 (September 1, 2004).		
<b>Holdings of banking corporation in other banking corporations</b>			
47c.	(a)	A banking corporation whose lawful holdings of means of control in another banking corporation prior to Amendment 13 coming into force, are contrary to the provisions of section 20a, may continue holding said means of control provided it does not acquire any means of control in the other banking corporation after Amendment 13 comes into force, except in accordance with the provisions of said section.	

	(b)	Notwithstanding the provisions of section 20a(a), a banking corporation may control another banking corporation in conjunction with others, if all the following conditions are satisfied:	
		(1)	the banking corporation acquired control and means of control from a banking corporation (in this section—the selling banking corporation);
		(2)	the selling banking corporation controlled the other banking corporation in conjunction with others prior to Amendment 13 coming into force;
		(3)	the selling banking corporation undertook towards others, prior to Amendment 13 coming into force, that the purchaser would control the other banking corporation in conjunction with the same others at the time of the sale of control and means of control in the other banking corporation.
<b>Holdings of related institutional investors</b>			
47d.	(a)	Related institutional investors, as defined in section 27a, that collectively and lawfully held more than 5% of a particular type of means of control in another banking corporation prior to Amendment 13 coming into force, may continue holding said means of control provided they shall not acquire any means of control in the other banking corporation after Amendment 13 comes into force, if after said acquisition their holdings would surpass 5%.	
	(b)	Notwithstanding the provisions of subsection (a), a related institutional investor shall not be considered as having a permit under the provisions of section 34(a) as worded after Amendment 13 came into force, in respect to the right to appoint a director in the banking corporation as set forth in Paragraph (2) of the definition of “means of control” in section 1.	
<b>Control and holding of means of control in a banking corporation</b>			
47e.	(a)	Whoever controls a banking corporation or a bank holding corporation prior to Amendment 13 coming into force, or that on said date holds more than 5% of a particular type of means of control in a banking corporation or a bank holding corporation, in accordance with a permit provided under the provisions of section 34 as worded prior to Amendment 13 coming into force, or that was not required to hold said permit, shall not be considered, for the purposes of this Law, operating without a permit under the provisions of section 34 as worded after Amendment 13 came into force, and the following provisions shall apply to it, as the case may be:	
		(1)	an entity that holds a permit that was issued prior to Amendment 13 coming into force—the provisions of the permit issued thereto shall continue to apply;

		(2)	an entity that did not require a permit prior to Amendment 13 coming into force, shall not acquire without a permit under section 34, after Amendment 13 came into force, any means of control in said banking corporation or said bank holding corporation if after said acquisition its holdings surpass 5%.
	(b)	Notwithstanding the provisions of subsection (a), whoever held 10% or less of a particular type of means of control in a banking corporation or a bank holding corporation prior to Amendment 13 coming into force, without being required to have a permit, shall not be considered an entity that received a permit under section 34(a), as worded after Amendment 13 came into force, to hold said percentage of means of control in respect of the right to appoint a director in said corporation, as set forth in Paragraph (2) of the definition of "means of control" in section 1.	
	(c)	The provisions of this section shall also apply, <i>mutatis mutandis</i> , to an entity that holds means of control in a banking corporation or a bank holding corporation that were meant in good faith to secure an obligation.	
<b>Special provident funds</b>			
47f.	Notwithstanding the provisions of sections 10, 11, and 27e—		
	(a)	a bank may control, and be a principal shareholder in, a management company of a central severance-pay provident fund of which the bank is the sole member, and may engage in the management thereof;	
	(b)	a bank may engage in the management of a provident fund of which all members are employees of the bank or of a corporation controlled thereby and that, on Sivan 24, 5765 (July 1, 2005), new members could not join under its by-laws.	
<b>Transitional provision in regard to a branch permit issues by the Governor</b>			
47g.	A branch permit issued by the Governor according to the provision of section 28(a), prior to The Banking Law (Legislative Amendments), 5772-2012, coming into force, that was in force prior to the abovementioned law, will be deemed as a permit issued by the supervisor according to the provisions of section 28(a), as worded after the said law came into force.		
48.	(Annulled).		
<b>CHAPTER G: MISCELLANEOUS</b>			
<b>Offenses</b>			
49.	(a)	A person who violates any of the provisions in sections 13, 21, 34, 35b(b) to (d), 36j, 36k1 – regarding the application of sections 34 and 35b(b) and	

		(c) thereof, or 47e is liable to five years in prison or a fine twice as large as that determined in section 61(a)(4) of the Penal Law, 5737-1977 (hereinafter - the Penal Law).
	(b)	A person who violates any of the provisions in sections 10 to 12, 14 to 20a, 23, 23a, 24, 24a, 24b, 27b, 27c, 27e, 27f, 28, 31, 35a, 36, 36m, 47c or 47d, or directions issued by the Governor or the Supervisor according to sections 9(b), 35, 35b(e) and (f), 36k(d), 36k1 – regarding the application of sections 35b(e) and (f), 36, 36l, is liable to two years in prison or a fine four times as large as that determined in section 61(a)(3) of the Penal Law.
	(c)	Whoever is not a banking corporation but engages in the acceptance of deposits or issuing securities as set forth in section 21(a)(2) and transfers the funds, as credit or in some other way, to another entity that is not a banking corporation or an auxiliary corporation but engages in providing credit—both shall be charged with an offense under section 21.
<b>Liability of a director and a chief executive officer to offenses of a banking corporation, an institutional investor and an acquirer</b>		
50.		A person who was a director or the chief executive officer of a banking corporation or an acquirer and, for the purposes of an offense under section 49(b) - of an institutional investor at a time when said banking corporation, the acquirer or institutional investor, as the case may be, committed an offense under this Law, shall be considered an accomplice to the offense and may be convicted unless he proves one of the following:
	(1)	the offense was committed without his knowledge and his position did not require him to know about it;
	(2)	after he became aware that the corporation, the acquirer, or institutional investor, as the case may be, was about to commit the offense, he took all possible measures to prevent it from committing the offense.
<b>Approval of the Attorney General</b>		
50a.		If a banking corporation fails to perform a duty imposed upon it under the provisions of the Banking (Licensing) Law (Amendment 11), 5756-1996, concerning divestiture of holdings in a nonfinancial corporation that were in its lawful possession on Iyar 12, 5756 (May 1, 1996), an indictment under sections 49 or 50 shall not be presented except with the approval of the Attorney General.
<b>Civil fine</b>		
50b.	(a)	If the Supervisor has reasonable grounds to assume that an action or inaction has taken place that constitute a violation of any of the provisions of section 10 to 12, 14 to 18, 19(a) or (b), 20a(a), 23, 23a(a), 24(a) or (b), 24a(a), 24b, 28(a) or (b), 28a, 31(a) or 36m or constituting a violation of a direction of Governor or the Supervisor under sections 35b(e) and (f), 36k1

		- regarding the application of section 35b(e) and (f) or 36l, he may impose on the person liable therefor a civil fine at the rate of one-half of the fine set forth in section 49(b).		
	(b)	The Supervisor may not impose a civil fine that is lower than the civil fine set forth in this Chapter except under the provisions of subsection (c).		
	(c)	The Governor, in consultation with the Minister of Justice, may determine types of cases, circumstances, and considerations on account of which the Supervisor may impose a civil fine that is lower than the civil fine set forth in subsection (a) and at maximum rates of reduction that he shall determine.		
	(d)	The civil fine shall be according to its adjusted value on the day of demand for payment thereof, and if an appeal is submitted and the court hearing the appeal orders a stay of payment—then it shall be according to its adjusted value on the date of the decision at the appeal.		
	(e)	Payment of a civil fine shall not diminish criminal liability of a person for the violation.		
	(f)	If a person is indicted for an offense under this Law, a civil fine on account thereof shall not be imposed upon him, and if he paid such a fine, he shall be reimbursed therefor plus indexation differentials and interest in accordance with the Interest and Indexation Law, 5721-1961, from the date on which payment was made to the date of reimbursement thereof.		
	(g)	The provisions of sections 14j to 14o of the Banking Ordinance, 1941, shall apply to a civil fine under this section, <i>mutatis mutandis</i> , and with this amendment: in regard to section 14j, the definition of “repeated violation” shall be read as follows: “ <b>Repeated violation</b> ”—violation of any of the provisions set forth in subsection (a) within two years of a previous violation of the same provision, for which a civil fine was imposed on the violator or for which he was convicted.		
<b>Cooperative association as a banking corporation</b>				
51.	The provisions of this Law shall apply to a cooperative association as if it were a company, <i>mutatis mutandis</i> .			
<b>Provisions applying to a receiver</b>				
52.	The provisions of Chapter E of the Execution Law, 5727-1967, shall apply to a receiver who is appointed under this Law, <i>mutatis mutandis</i> .			
<b>Implementation</b>				
53.	The Minister of Finance is charged with the implementation of this Law and may promulgate regulations in any matter pertaining to the implementation thereof.			



**Commencement**

54.	This Law shall come into force on Adar Bet 26, 5741 (April 1, 1981).

**Publication**

55.	This Law shall be published within thirty days of the date of its adoption by the Knesset.

**FIRST ADDENDUM**  
(Section 7)

**MINIMUM CAPITAL**

Type of corporation	Sum
Bank	IS 10,000,000
Foreign bank	Foreign-currency equivalent of 10,000,000
Mortgage bank	6,000,000
Investment finance bank	6,000,000
Business promotion bank	6,000,000
Financial institution	3,000,000
Joint service company	100,000

**Menachem Begin**  
Prime Minister

**Yoram Avidor**  
Minister of Finance

**Yitzhak Navon**  
President of the State