



Competition in Retail Banking

Change is in the air

Dr. Hedva Ber, Supervisor of Banks
April 2, 2019



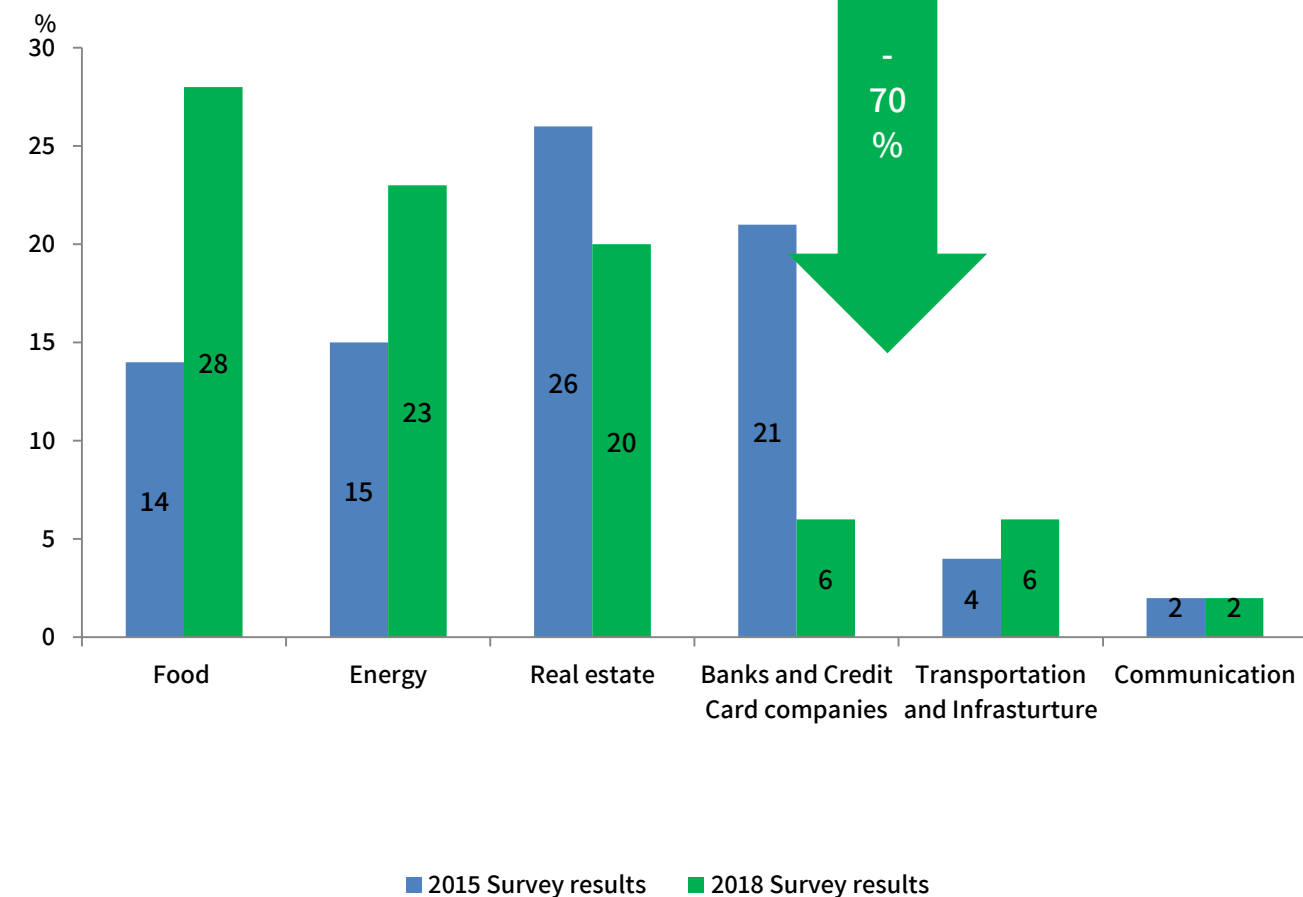
Three years ago, the Bank of Israel defined the promotion of competition in banking, for the benefit of households and small businesses, as a target

And we rolled up our sleeves and got to work...



Promoting competition is possible when the banks are stable

Stability is the foundation (and the strength)

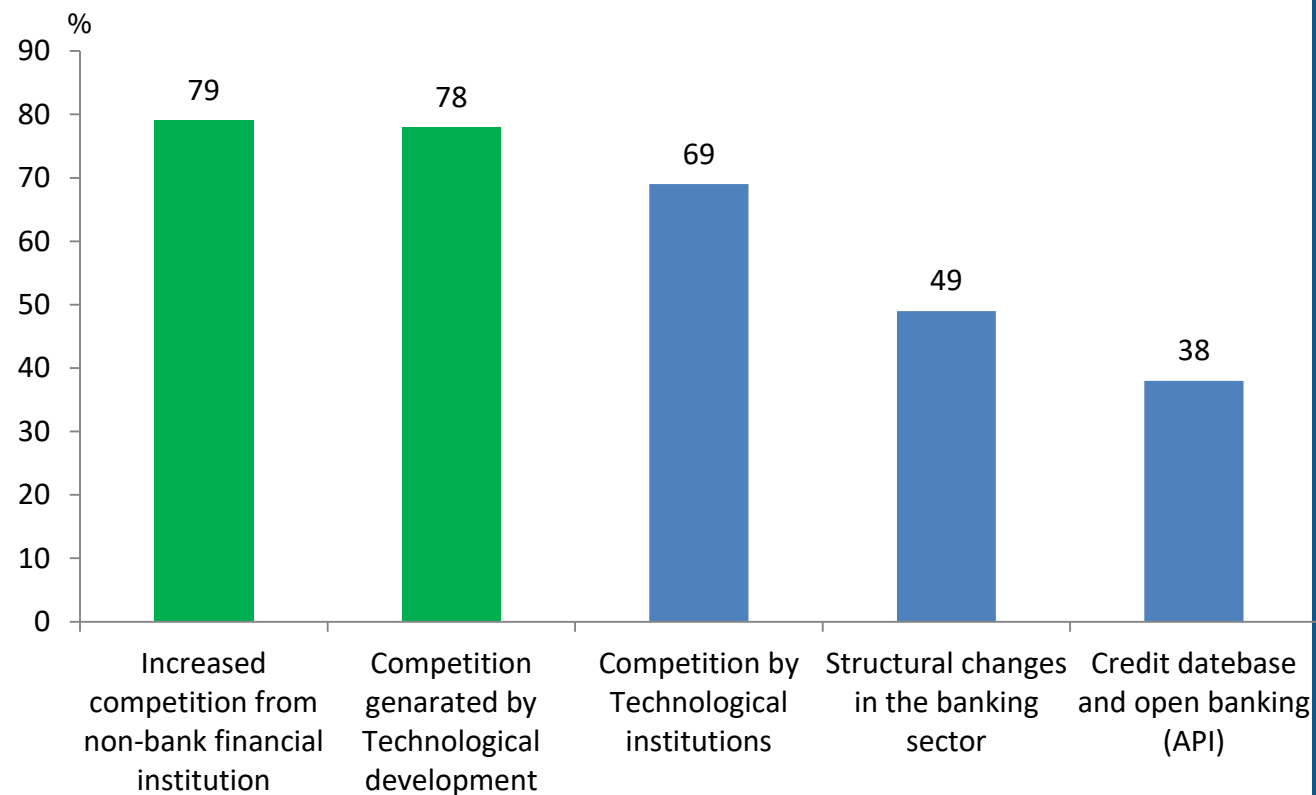


Banking competition: change is in the air.

The end result: the public thinks that banking competition is improving

“Which of the following industries requires the most urgent government intervention in order to enhance competition, if at all?”

Yifat survey 2015/2018, immediately after elections were announced.



Banking competition: change is in the air.

The end result: the banks feel that competitive pressure has increased

“Of the following factors, what do you think are the most significant ones in business model risk?”

From a new survey of risks conducted by the Banking Supervision Department among Senior management of banks and credit-card companies, March 2019.

What have we done to promote competition?

01

We issued regulation encouraging technological innovation

We published directives in the media, on e-banking, cloud computing, and more...

02

We established a credit data system

The project goes on line in April 2019

03

We supported the separation of two credit card companies from banks

We provided “infant industry protection” in order to create two new strong players

04

We lowered entry regulatory hurdles for new banks

We published a lenient policy in 2015

05

We accompanied the establishment of the centralized computing services

Led by the Minister of Finance



What have we done to promote competition?

06

We required the improvement of the efficiency in the banking system

We issued regulation and directives in 2016–17 and pushed...

07

We lowered entry barriers for new merchant acquirers

08

Carried it out in 2015, 2018

We encouraged competition in the payments system

09

We collaborated on the Payment Services Law (PSD2), 2019

10

We are leading the “switching banks” project
Timetable—2021

We are leading the “open banking” (API) project
Timetable—2020



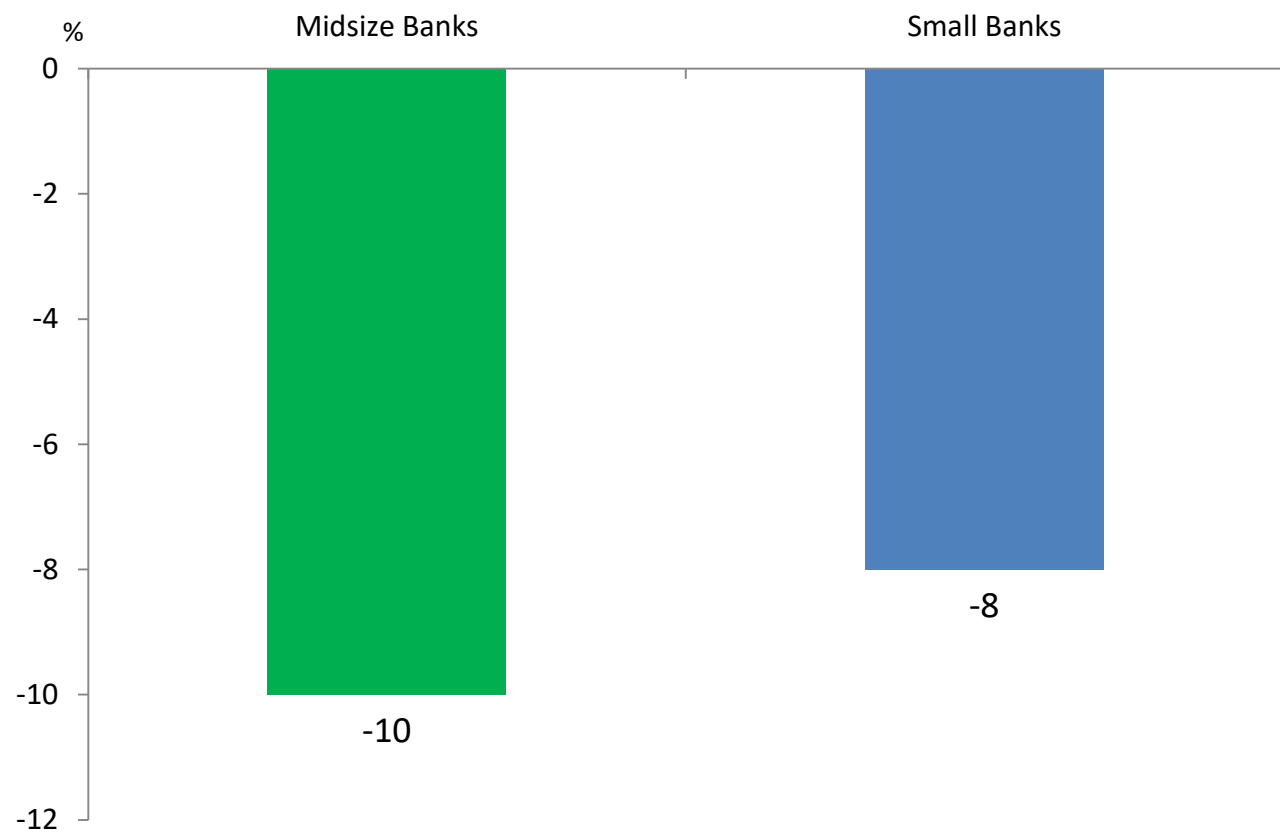
And the Public
is beginning to
benefit from the
competition...



Banking is changing:

Payment applications
were set up

Banking competition: change is in the air.



Banking competition: change is in the air.

Banking is changing:

Merchants' acquiring fees declined

הלוואה לכל מטרה

הלוואה חוץ בנקאית שנתפרה במיוחד בשבילך. הלוואה לכל מטרה – עד 80,000 ש"ל לקוחות כל הבנקים, בנוסף למסגרת העו"ש, ללא תטבות וללא ערבים! מגוון הלוואות מיידיות ברבית נמוכה לכל מטרה ועד 60 תשלומים, תנאים משתלמים ופתרונות אשראי נוחים. צריכים הלוואה? ודאו שזה ישראכרט. הלוואה לכל מטרה, גם לסגירת מינוס.

בית למיקבה

הלוואה טובה ירושלמי

הלוואה זרימה בלי צמצום תחילת, ללקוחות כל הבנקים

הקדש את סכום הלוואה שברצונך לקבל

מ 100,000 ₪

בנק אבינוח לדוגמה

אשרור | אימות | קבלת כסף

המשלוח נעשה באופן אוטומטי לאחר אישור ההלוואה על ידי הבנק.



לקוחות Cal או Diners

3 דקות והכסף בדרך אליכם!

להלוואה אונליין בקלות ובמהירות

3

הכסף בדרך
לחשבון הבנק!

2

בוחרים סכום
ומספר תשלומים

1

נכנסים עם כרטיס
Diners או Cal

להלוואה אונליין >

[illegible]

מימון ישיר בטוח כמו הבנק שלך,
רק גמיש יותר

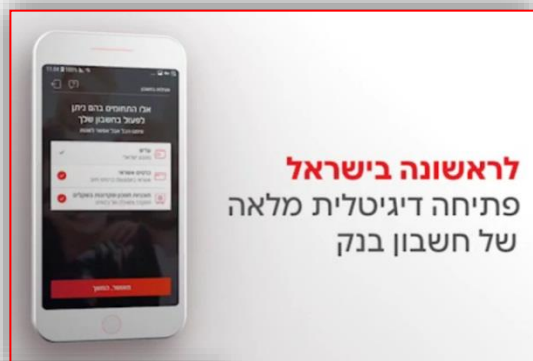
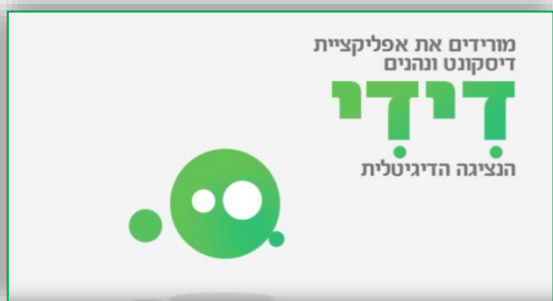
Banking is changing:

Increased availability of loans from various sources



For example

Banking competition: change is in the air.

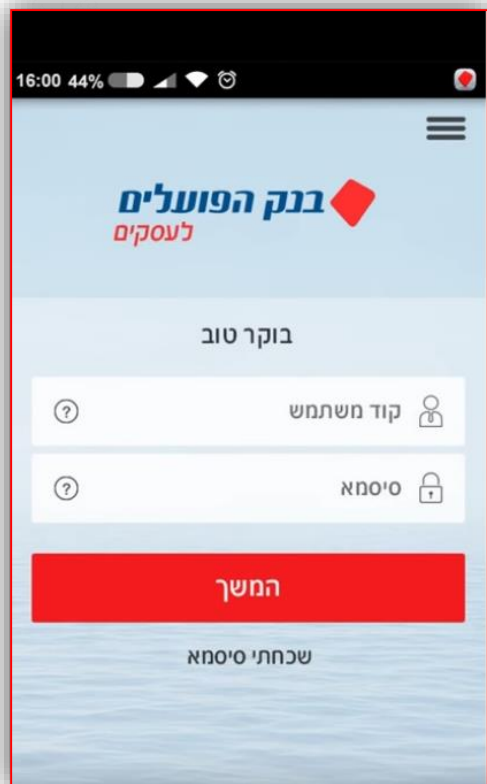


Banking competition: change is in the air.

Banking is changing:

Technological innovations were introduced in investment advising, portfolio management, and more

← For example



PEPPER.
אל תקרא לי בנק

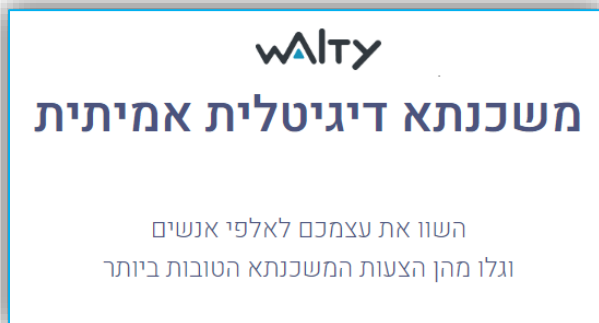
Banking competition: change is in the air.

Banking is changing:

Banks are competing on the type and quality of service (digital, branches)



For example



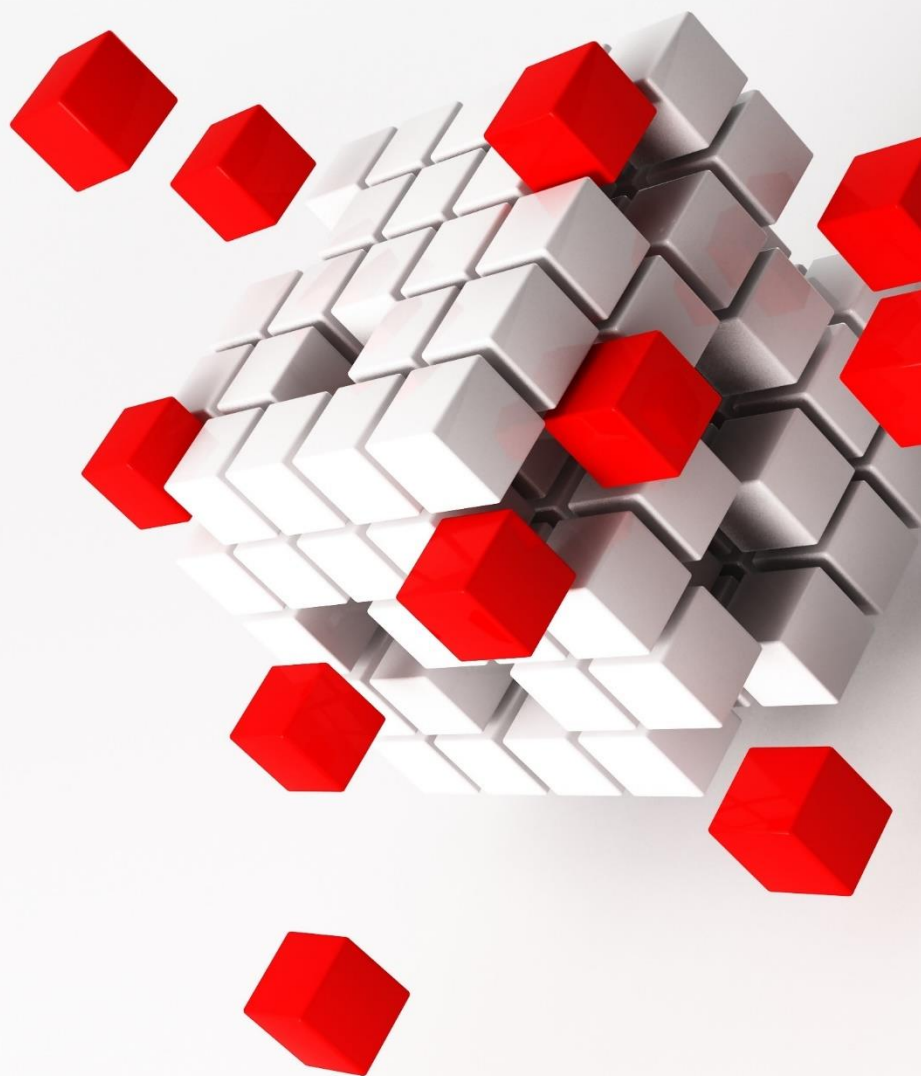
Banking is changing:

Fintech companies were set up to compare costs of banking services



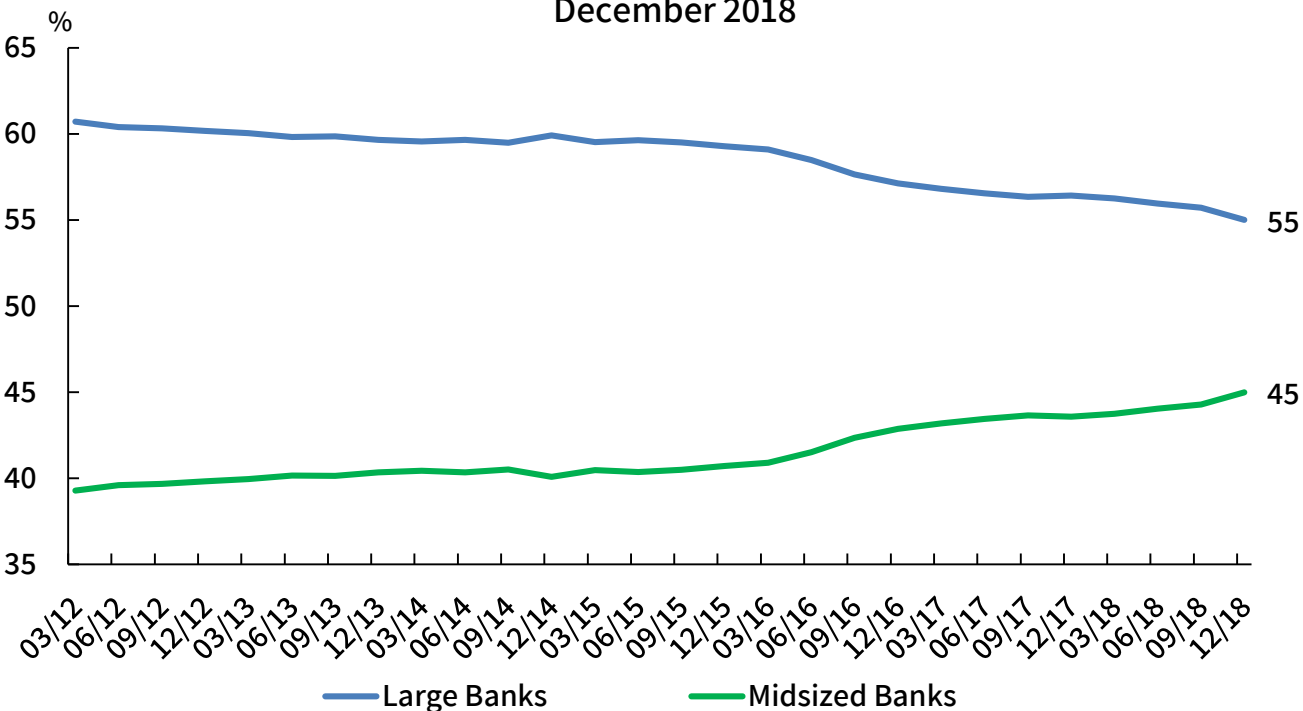
For example

Banking competition: change is in the air.



The market structure is
changing

Credit market share¹, large and midsize banks², March 2012 to December 2018



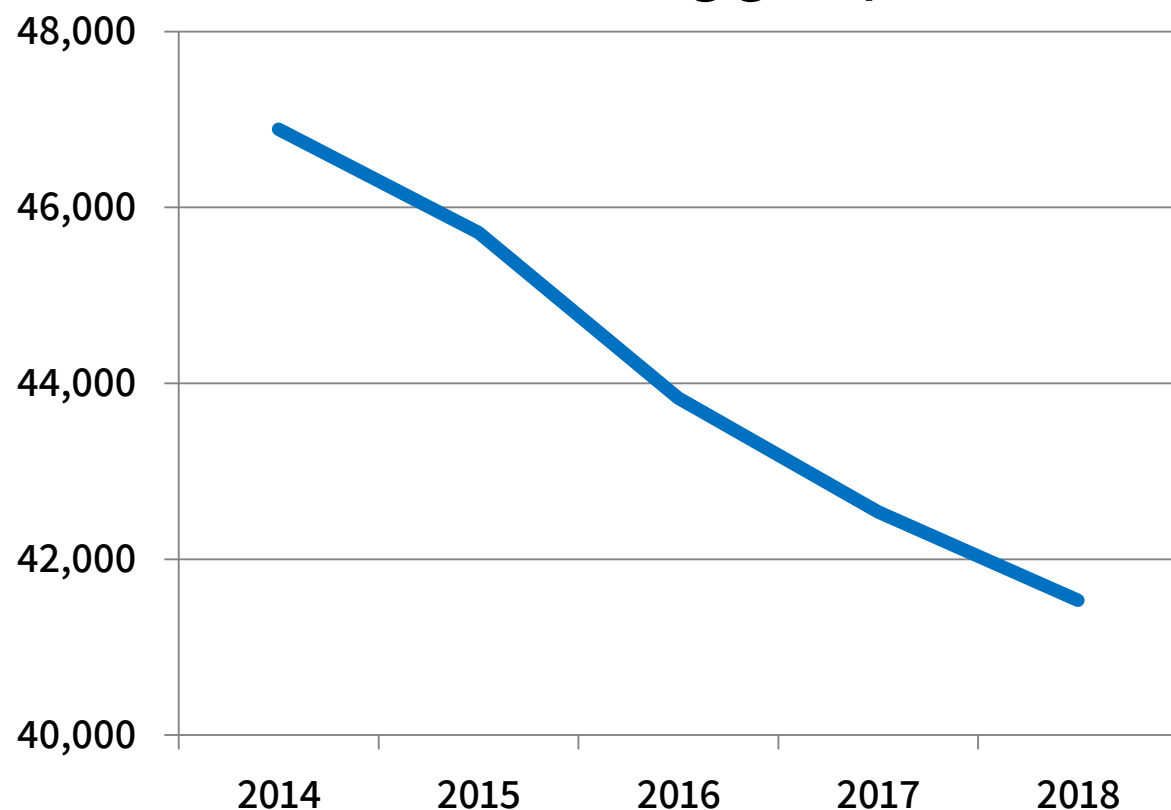
1) Balance sheet credit (activity in Israel), credit card companies deducted.

2) Large banks- Leumi and Hapoalim. Midsized banks- Mizrahi-Tefahot, Discount, First Int'l.

Concentration in banking is declining

Banking competition: change is in the air.

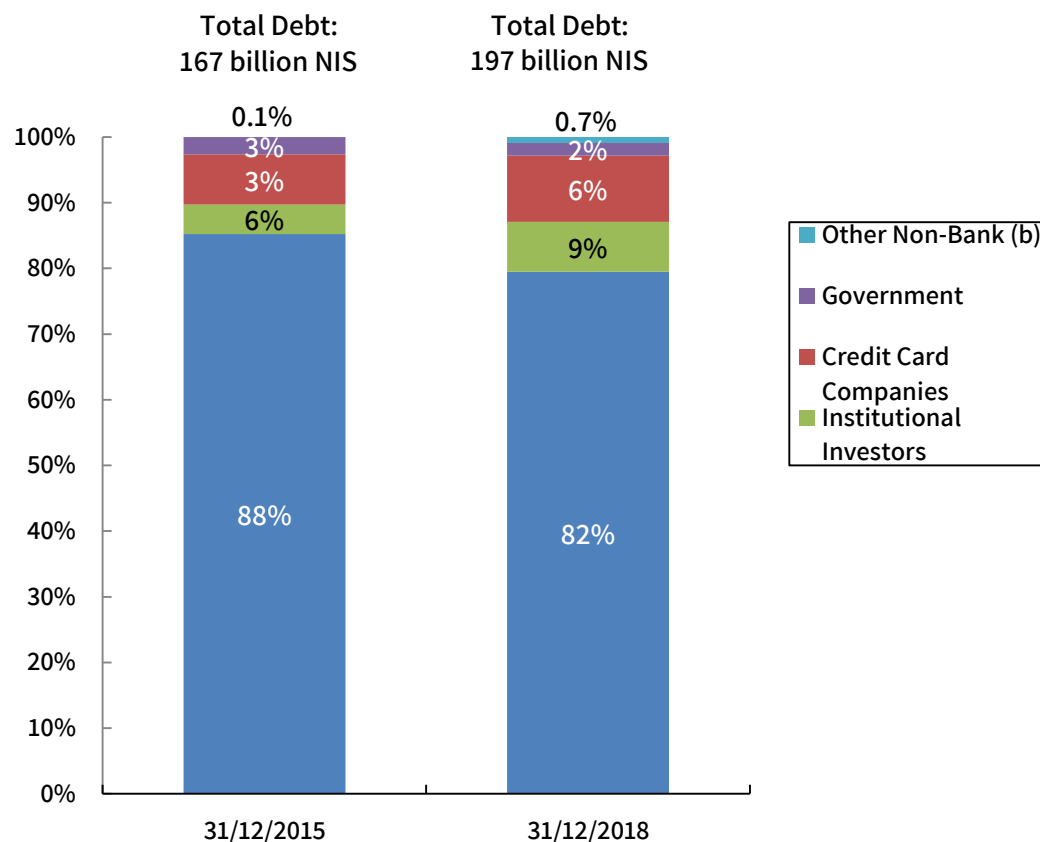
Number of employee posts in the five banking groups



Banking competition: change is in the air.

Banks increased their efficiency by more than 10 percent

Distribution of Households Debt (excluding housing) by Sources ^a,
December 2014 and December 2018



a) Excluding Credit from abroad.

b) Including "Mimun Yashir" only, data for June 2018.

Nonbank entities are expanding their share of the consumer credit market at the expense of the banks

Banking competition: change is in the air.



The Computer Services Bureau is in the process of being established

Banking competition: change is in the air.

MAX

מבית לאומי קארד

TRANZILA

A graphic element of the TRANZILA logo, consisting of a brown, stylized shape resembling a book or a document with a green tab on top.

New players “were born”

Banking competition: change is in the air.



And official applications to establish a new bank were submitted to the Banking Supervision Department...

Yet there are also challenges

That is:

We have done, we are
doing, and we will do

Bank of Israel

Ministry of Finance

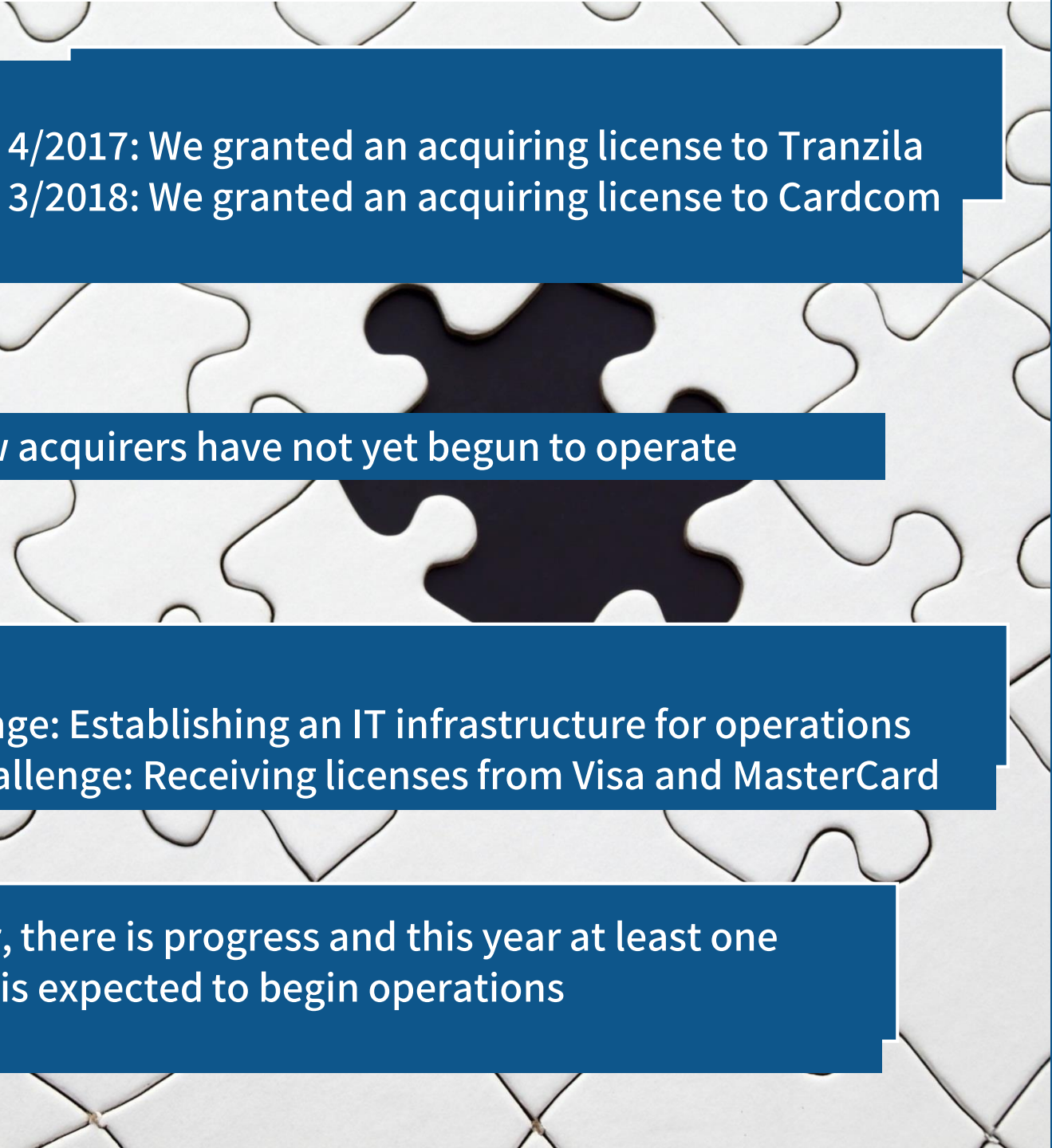
Ministry of Justice

Competition Authority

Capital Markets Authority

And the Knesset

And banking is changing



4/2017: We granted an acquiring license to Tranzila
3/2018: We granted an acquiring license to Cardcom

/ acquirers have not yet begun to operate

ge: Establishing an IT infrastructure for operations
allenge: Receiving licenses from Visa and MasterCard

, there is progress and this year at least one
is expected to begin operations

A representative
example of the
challenges in changing
the competitive
environment

Granting a license to new acquirers

This is **Apple Card**.
A new kind of credit card.
Created by Apple, not a bank.

Watch the film



Banking competition: change is in the air.

In the background, and alongside all the domestic changes...

Global technological entities (BigTech) are entering the banking and payments sector and competing with banks

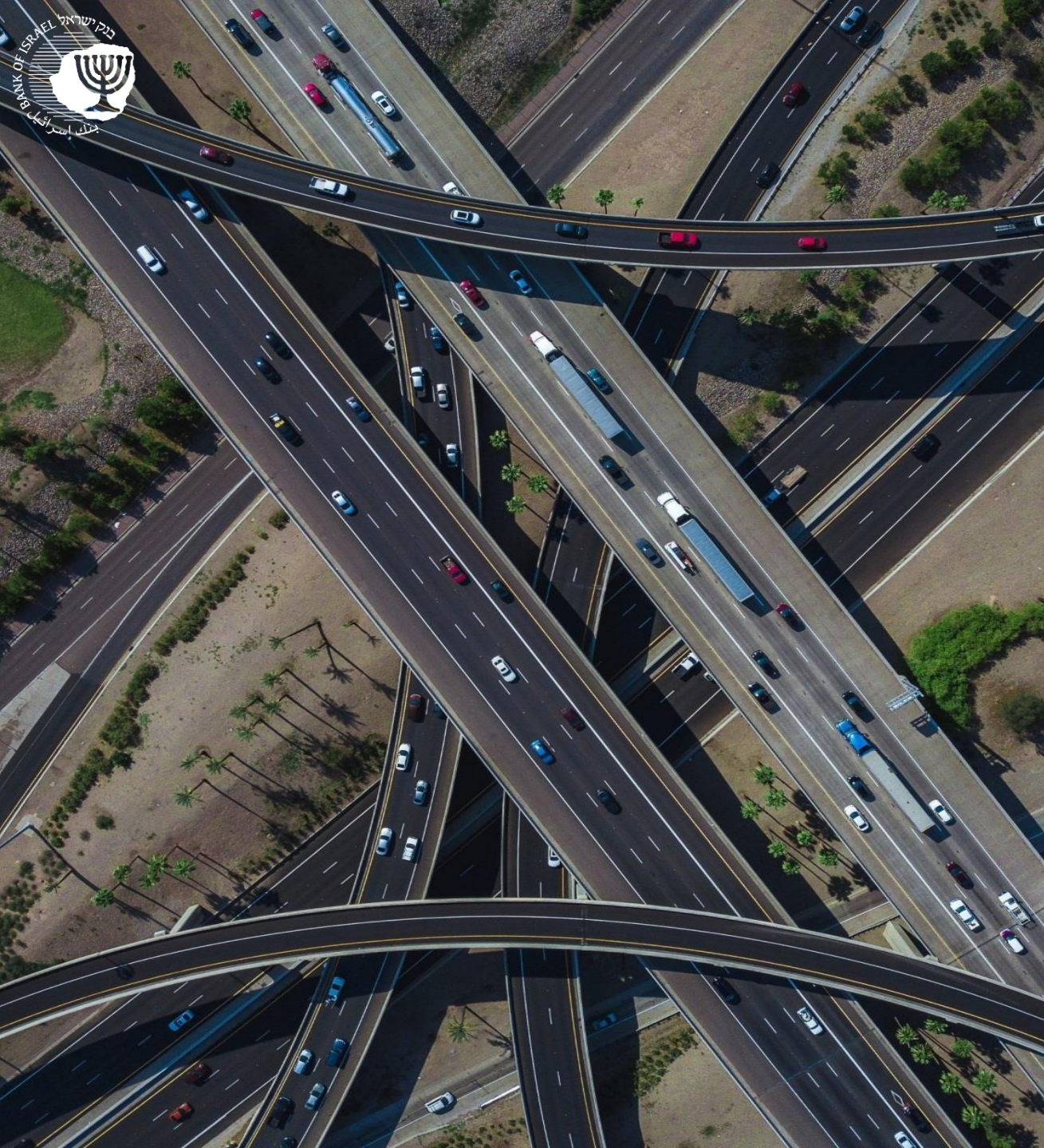


**In
conclusion:**



We are leading the
establishment of
“infrastructures” for
competition

Households and SME's
are beginning to
benefit



Every one of the projects to promote competition is significant (and complex to implement)

But all of them together created a highway to competition



However,

Competitive change
takes time and the
benefits will continue to
be realized

Gradually



In today's
conference,

we will present some of
the major initiatives in
the area of banking
competition
that have come to
fruition or are on their
way to it



Thank you

Supervisor of Banks Dr. Hedva Ber
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