

# Regulatory Initiatives in Israel Promoting Fast Payments

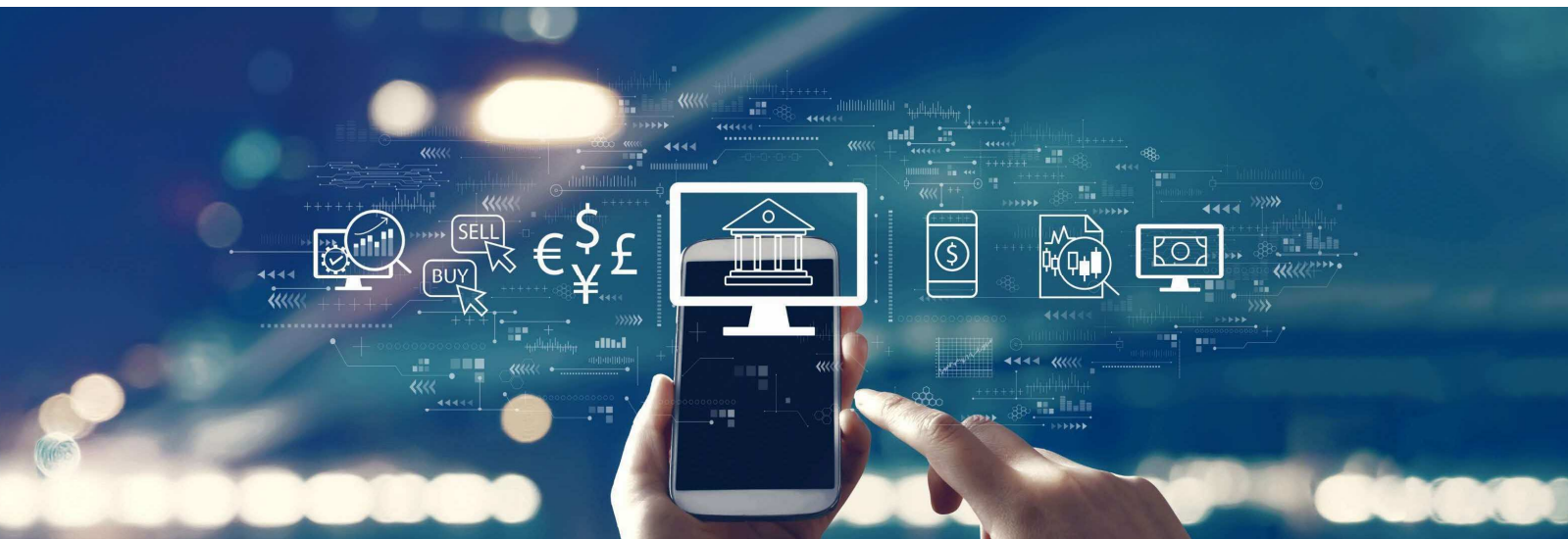
ECPA and World Bank International Conference of Regional Card Organizations and Retail Financial Market Infrastructures

Eastern Europe and Central Asia Forum

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Bank of Israel

21<sup>st</sup> March, 2024





## Agenda

- 1 Macroeconomic snapshot
- 2 Why Promote Fast Payments in Israel?
- 3 Regulatory initiatives focused on Fast Payments in Israel



# Israel's Economy In Numbers – NOT SO SMALL!

Founded: 1948



\*Data –Central Bureau of Statistics [GDP](#), [Inflation](#), [Population](#)  
Bank of Israel [Interest](#)  
Last checked: March 2024



Population

9.84m

Monetary Interest Rate

(29/02/2023-11/04/2023)

4.5%

	2019	2020	2021	2022	2023
Annual GDP	ILS 1.3T US 365.5B	ILS 1.3T US 377.4B	ILS 1.4T US 444.3B	ILS 1.6T US 475.6B	ILS 1.6T US 446 B
Annual Inflation	-0.4%	-0.7%	2.5%	5.4%	3%
					December 2023- December 2024
Net Public Debt to GDP ratio	55.8%	64.6%	60.3%	60.8%	62.1%

Consumer Price Index,  
Annual Increase/Decrease

\*\*

[Net Public Debt to GDP ratio](#)  
Last checked: March 2024



# Existing Players in the Payments Market in Israel



99% of assets held by 5 large banks



5 substantial bank groups in retail banking



2 new digital banks live



3 global banks providing corporate services and private banking



3 “credit card companies”



2 new merchant acquirers, formerly payment gateways



Multiple new PSPs expected



New credit union (launching soon)



## Financial Inclusion

16

Age eligibility for bank account

94.5%

Hold bank accounts

BOI estimate



# Why Promote Fast Payments in Israel?

Unlike other markets: Less focused on financial inclusion

**1**

**Increase competition in the financial sector**

High Level of  
Bank  
Concentration

Payments are  
a foundation  
for additional  
financial  
services

**2**

**Enhance the digitized economy**

More  
efficiency

More  
innovative  
financial  
offerings



**Increased prosperity and national resilience**



## Four regulatory frameworks to attract non-bank players to financial services

### Israeli PSD2

(June 2024)



Financial Asset  
licensees holding  
licenses from the  
Capital Markets  
Authority

(October 2022)



Local version of  
passporting EMI and  
PI licenses from US,  
UK and EU for PSPs  
(other than  
merchant acquirers)

(February 2023)



Local version of  
passporting  
merchant acquirer  
licenses from US, UK  
and EU

(November 2023)





## New market entrants already leveraging the reform

Four local players  
obtained a "bank  
identifier" license in last  
5 months

Several international players  
(including Israeli companies  
licensed abroad) taking  
concrete steps to leverage the  
reform

>70 additional players  
seeking to leverage  
the reform



**86**

12.11.2023



**35**

12.11.2023



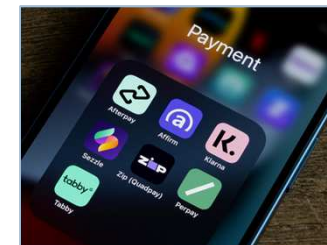
**47**

12.11.2023



**21**

7.2.2024



## Regulatory initiatives focused on Fast Payments

**BOI and Competition Authority  
requested separation of:**

- **Shva:** Operator of (a) National card switch and (b) National ATM switch
- **Masav:** Operator of (a) National ACH clearinghouse and (b) **Fast Payments** clearinghouse

Began January 2021, multi-year process





# BOI directed retail FMs to implement Access Models

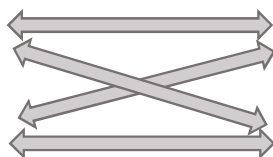
*Also applies to Fast Payments*

## Settlement

Finance

● Represented in settlement

● Participates in settlement

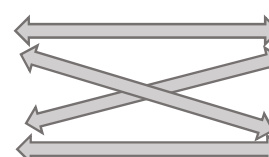


## Technical connection

Technical

● Not connected

● Connected

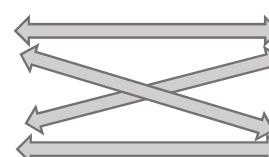


## Rules

Legal

● Direct participant

● Indirect participant





## BOI directed Fast Payments FMI to implement:

ISO20022



January 2024

Request  
to Pay  
(RTP)

By June 2024

Alias/  
Proxy

By June 2024

Confirmation of  
Payee (COP)

Date TBD



# Vision:

**Dozens of new market players  
live within 3-5 years**



# Thank you

