

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

June 19, 2022

Press Release:

The Bank of Israel is acting aggressively to advance efficiency and competition in the area of payments, and is encouraging new nonbank entities to gain access to the controlled payment systems. As part of this, the Bank of Israel’s Supervisor of Payment Systems is enabling direct access to the SHVA payment card system for entities that are not engaged in interchange activities.

This includes entities that operate loyalty programs that operate on a CLP (Closed Loop Payments) model, in which one entity operates on both the issuance and settlement sides. Such entities operate closed loyalty programs and issue cards to the customers, while also handling settlement and accounting vis-à-vis businesses that honor the cards. Until now, each CLP entity was required to maintain an independent settlement infrastructure and to deploy it at merchants joining the club. From now on, the programs will be able to connect to the SHVA payment card system, and thus to settle club cards through existing terminals at the merchants’ place of business.

This measure is further to a series of measures advanced by the Bank of Israel in the payments area in recent years, and brings with it good news for the economy as a whole. The entities will benefit from existing technological solutions that are made possible thanks to access to the payment systems, and will be able to offer more services through a broader range of businesses. This is in addition to the existing technologies for receiving club benefits that are already operating in the market. New programs may also be established, which would accelerate competition among the loyalty programs. Small businesses will also be able to easily join various loyalty programs and offer advanced products and services so that the Israeli public can benefit from a broad range of loyalty programs and a variety of consumer benefits.

The decision to enable these entities to gain access to the payment systems was made after examining efficiency and stability considerations in the payment systems, as a result of which conditions were set in order to enable this activity.

A survey conducted by the Bank of Israel shows that more than 50 percent of respondents currently hold unused gift cards with an average value of about NIS 300, and that more than 50 percent of those have held them for more than half a year.

The volume of unused amounts is estimated at about NIS 670 million, and about 30 percent of respondents said that they would prefer to use the benefits at businesses that don’t currently honor the cards.

As a result of the change, consumer programs will be able to offer the use of benefits at many more businesses and with greater accessibility, which should lead to the utilization of the various benefits more rapidly and more completely.[[1]](#footnote-1) This process will help lower the cost of living and assist in the more efficient utilization of benefits.

The Bank of Israel estimates that as a result of providing these entities with access to the payment systems, and in view of the implementation of the EMV standard[[2]](#footnote-2) in Israel, loyalty programs will be integrated into the new technology and will enable the utilization of benefits while streamlining the process for both customers and businesses, through the use of contactless transactions using payment cards or digital wallets.

Payment and Settlement Systems Department Director Oded Salomy said, “Loyalty programs in Israel have hundreds of thousands, and sometimes millions, of active customers who gain from financed benefits that can be utilized mainly at the large merchants and chain stores that are able to cover the cost of the expensive and unique technological integration that is required for joining those programs. The change that the Bank of Israel is implementing today will enable small businesses to join programs without heavy and expensive technological integration, and to benefit from access to the programs’ operations while using the merchant’s existing payment terminals. As a result of the change, club activities will begin financing benefits at small businesses as well, according to their needs. This change will be able to help small businesses increase their sales, improve their cash flow, attract new customers, and strengthen their competitive ability against the chain stores and large businesses. I welcome this.”

1. Depending on the business association between the club and the merchant. [↑](#footnote-ref-1)
2. For more information on the implementation of the EMV standard, see: https://boi.org.il/en/NewsAndPublications/PressReleases/Pages/9-3-21.aspx [↑](#footnote-ref-2)