



Memorandum of Understanding on FinTech Cooperation

Between

The Capital Markets Insurance and Savings Authority ("CMISA")

and

The Israel Securities Authority ("ISA")

and

The Bank of Israel ("BOI")

and

The New York State Department of Financial Services ("NYSDFS")



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Article 1 Definitions

For the purpose of this Memorandum of Understanding:

- a) **“Authorisation”** means the process of licensing, registering, approving, authorising or otherwise bringing an entity under either Authority’s supervisory remit so that it is authorised to carry on business in providing a financial service or issuing a financial product in the relevant Authority’s jurisdiction, and **“Authorised”** has a corresponding meaning.
- b) **“Authority”** means the CMISA or ISA or BOI or the NYSDFS, and collectively will be referred to as **“the Authorities”**.
- c) **“BSD”** means the Banking Supervision Department at the BOI; and any reference in this Memorandum of Understanding to the BOI, including any reference to an **“Authority”** which is relevant to the BOI, will be in the context of the authorities and functions of the BSD set by the Israeli law.
- d) **“Confidential Information”** means any non-public information obtained by an Authority pursuant to this Memorandum of Understanding.
- e) **“Financial Innovator”** means any entity, which provides or intends to provide Innovative Financial Services in either of the Authorities’ jurisdictions.
- f) **“FinTech”** means any innovative financial technology that will be used or is intended to be used by Financial Innovators.
- g) **“Innovation Function”** means the function in an Authority expected to provide support to Financial Innovators in their respective markets.
- h) **“Innovative Financial Services”** means any services that are provided by means of FinTech.
- i) **“Receiving Authority”** means the Authority that is receiving a Financial Innovator referral to the Receiving Authority; and
- j) **“Referring Authority”** means the Authority that is referring a Financial Innovator to the Receiving Authority; and



- k) “**Regulations**” means any regulation or regulatory requirement applicable in the jurisdiction of an Authority.

Article 2 Purpose of the Memorandum of Understanding

1. The Authorities intend to cooperate with the aim of encouraging and enabling innovation in their respective financial services industries and of supporting Financial Innovators in meeting the Regulations in each other’s jurisdictions as may be required to offer Innovative Financial Services in the respective financial markets. To this end, they have established or will establish a specific FinTech-friendly environment and designate FinTech functions, as set forth below.
2. The Authorities believe that by cooperating with each other, innovation in financial services, consumer or investor protection and subsequently competitiveness will be enhanced in their respective markets.
3. Enhanced cooperation between the Authorities is intended to facilitate Financial Innovators to enter and provide Innovative Financial Services in the other jurisdiction.

Article 3 FinTech functions provided by the Authorities

1. **CMISA** is set to promote and enable the technological and business innovation in the area of financial services. CMISA published its digital vision¹ in which CMISA encourages initiatives and investments in FinTech which are aimed at promoting digitation of services and work processes in the insurance and long-term saving markets. In addition, CMISA aims at facilitating a relevant Israeli regulatory regime for Fintech and InsureTech innovators, while at the same time removing regulatory hurdles, where relevant, that might hinder financial innovation.
2. In July 2018, the **ISA** established a FinTech Innovation Hub. This initiative is aimed at promoting common discourse between the ISA and relevant players in the field of

¹ The CMISA's paper stating its digital vision can be found, in Hebrew, in the following page <https://mof.gov.il/hon/documents/digitalvision.pdf>.



FinTech. The ISA is set to promote and enable the technological and business innovation in the area of financial services. The ISA aims at establishing trust and providing certainty to the FinTech industry and encourages market actors in the FinTech industry to contact its staff with the purpose of becoming familiar with the relevant regulatory framework and to examine any required adjustments to their activity, through guidance of the ISA's staff.

ISA regularly screens and reviews the relevant Israeli regulatory regimes applicable to Fintech and considers adjusting the Regulations, in different ways, including by way of interpretation, all for the purpose of enabling and promoting Fintech.

3. **The BSD, at the BOI**, encourages competitiveness and technological innovations in banking and financial services. The BSD conducts ongoing discussions with the banking system, credit-card companies and FinTech companies in order to understand the needs of the various players and adapt regulation to promote a digital financial system. The BSD promotes the removal of relevant regulatory hurdles and the establishment of regulatory principles to promote technological innovation, including leading the Open Banking project. These may enable the banking system to assimilate, either independently or through cooperation with FinTech companies, new technologies and innovation in the digital world of financial services, financial products and means of payment.

The BSD also established the Technology and Innovation Division to support the major technological and innovations taking place and those anticipated for the coming years. This Division also serves as a proactive and professional guide for the banks and the credit card companies in navigating those changes.

4. **The NYDFS** regulates and supervises a wide variety of financial services institutions, including all New York state-chartered and state-licensed banking organizations, insurance companies, and other financial service providers such as money transmitters, licensed lenders, and check cashers. NYDFS encourages financial



innovation across all financial services products and sectors, with a goal of improving consumer access and market resiliency. NYDFS is a leader in responsible growth and sound regulation in New York's FinTech industry, including through its establishment of a process to license virtual currency platforms operating in New York State.

Article 4 Principles for cooperation

1. The Authorities agree to cooperate for the purpose and within the scope of this Memorandum of Understanding.
2. This Memorandum of Understanding is a statement of intent of the Authorities and accordingly does neither create any enforceable rights nor creates or intends to create any binding legal obligations, or to fetter the discretion of the Authorities in any way in the discharge of their functions. This Memorandum of Understanding is subject to the domestic laws and regulations of each Authority and does not modify or supersede any laws or regulatory requirements in force or applicable in the United States of America, New York State, or in Israel whether now existing or regulated in the future.
3. This Memorandum of Understanding is intended to complement, but not affect or alter the terms and conditions of any other multilateral or bilateral arrangements concluded between the Authorities or between the Authorities and third parties, or between the respective governments of both countries.

Article 5 Scope of cooperation

5.1. Referral mechanism

- a) The Authorities, through their Innovation Functions, may refer to each other Financial Innovators that would like to operate in the other Authority's jurisdiction upon the Financial Innovator's written request. Any such referral will be made subject to any applicable law.



- b) Referrals will be made in writing, and may include descriptive information about the Financial Innovator seeking to operate in the Receiving Authority's jurisdiction.
- c) Following the referral, the Receiving Authority's Innovation Function may offer support to the Financial Innovator in accordance with paragraph 5.3, if such support is deemed appropriate by the Receiving Authority and subject to the availability of resources.
- d) The Receiving Authority may receive additional information from the Financial Innovator prior to offering support in accordance with paragraph 5.3. This information may include information demonstrating that:
 - i) The Financial Innovator offers innovative financial products or services that benefit the consumer, investor and/or industry;
 - ii) The Financial Innovator conducted sufficient background research on Regulations of the Jurisdiction of the Receiving Authority that may apply to it.
- e) The Referring Authority acknowledges that a Financial Innovator benefiting from the Receiving Authority's Innovation Function's assistance during the pre-Authorisation phase may or may not meet the requirements for Authorisation by the Receiving Authority, and that in providing assistance through the Innovation Function, the Receiving Authority is not expressing an opinion about whether a Financial Innovator will ultimately meet the requirements for Authorisation in its jurisdiction.

5.2. Information sharing

The Authorities intend, as appropriate, to exchange information about:

- a) Regulatory and policy issues on innovation in financial services;
- b) Emerging market trends and developments;
- c) Any other relevant issues on FinTech.



5.3. Support to Financial Innovators

Each Authority will endeavor to provide Financial Innovators originating from the other jurisdiction with the same level of support that it provides to Financial Innovators originating from its own jurisdiction subject to availability of resources. The support offered by the Authorities to Financial Innovators includes:

- a) A contact person for Financial Innovators;
- b) Availability of information for Financial Innovators to understand the regulatory framework in the relevant Authority's jurisdiction, and how it applies to them;
- c) Assistance, which may be provided by the relevant Authority, subject to availability of resources, during the pre-Authorisation application phase to:
 - i) Describe the Authorisation application process and any relevant regulatory issues that the Financial Innovator has identified; and
 - ii) Help the Financial Innovator to understand the relevant Authority's regulatory regime and what it means for them.
- d) Support which may be provided by the relevant Authority within the powers of that Authority, during the Authorisation process, including the allocation of Authorisation staff to consider the application that are knowledgeable about financial innovation in their respective markets subject to availability of resources.

5.4. Dialogue on FinTech and Innovative Financial Services

Representatives of the Authorities intend to meet or hold conference calls, where necessary, to discuss issues of common interest and share their experience in FinTech and Innovative Financial Services.

Representatives of Financial Innovators may be invited to such meetings or conference calls provided all Authorities participating in the relevant discussion agree to the invitation being extended to the representatives of Financial Innovators.

5.5. Expertise sharing

Each Authority may allow its staff as appropriate, to give presentations and conduct training sessions for the other Authorities to share expertise and knowledge.



Article 6 Permissible use of information and confidentiality

1. The Authorities confirm that they and all persons dealing with, or having access to, Confidential Information are bound by the obligation of professional or official secrecy and will not disclose the Confidential Information to any third party.
2. Information about the Financial Innovator will only be disclosed and shared with the Authorities, if the Innovator consents to this in writing.
3. Notwithstanding anything to the contrary, transfer of Information about the Financial Innovator is subject to the provisions of any applicable law or any other arrangement between the Authorities from both jurisdictions.
4. The Authorities agree to use Confidential Information disclosed to it by the other Authorities only for the purposes for which the Confidential Information was disclosed.
5. If an Authority intends to use or disclose any Confidential Information provided to it by the other Authorities for purposes other than those for which such Confidential Information was provided, the Authority should seek prior written consent from the other Authorities, which provided the information.
6. Notwithstanding the above, If an Authority is required by law to disclose any Confidential Information provided to it by the other Authorities without obtaining prior written consent from the other Authorities, the Authority which is required to make the disclosure should notify the Authorities prior to complying with such a requirement or shortly after compliance as stated, in instances where such prior notice cannot be given, and should make its best efforts to protect confidentiality, use all reasonable legal means to resist disclosure and inform the other Authorities to the extent possible and without undue delay of the disclosure.



Article 7 Contact points

To facilitate cooperation under this Memorandum of Understanding, each Authority will designate a contact point as specified in Appendix A - which may be amended from time to time by an Authority by transmitting revised contact information in writing to the other Authorities.

Article 8 Entry into effect, modification and termination

1. This Memorandum of Understanding will enter into effect on the date of its signature by all Authorities.
2. The Authorities will review the impact of this Memorandum of Understanding and update its terms if necessary.
3. This Memorandum of Understanding may be modified in writing if all the Authorities agree in writing to do so.
4. Any Authority may terminate the Memorandum of Understanding by giving 30 days' advance written notice to the other Authorities.
5. In the event of termination of this Memorandum of Understanding by one or more Authorities, the Memorandum of Understanding will still have effect on the remaining Authorities.
6. In the event of termination, Confidential Information obtained under this Memorandum of Understanding will continue to be treated in accordance with Article 6.



Executed by the Authorities:

For CMISA (Israel)

Moshe Bareket
Director General
Israel Capital Markets, Insurance and Savings Authority

Date: 27 June 2019

For ISA (Israel)

Anat Guetta
Chairwoman
Israel Securities Authority

Date: 30 June 2019

For BOI (Israel)

Hedva Ber
Supervisor of Banks
Bank of Israel

Date: 27 June 2019

For NYSDFS (New York State)

Linda A. Lacewell
Superintendent of Financial Services
Department of Financial Services

Date: 6/26/2019



Appendix 1: Contact Details

ISA

International Affairs Department

Israel Securities Authority

Kanfei Nesharim 22

JERUSALEM

ISRAEL

Email: international@isa.gov.il

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CMISA

Information Technology Department

Capital Markets, Insurance and Savings Authority

Am V'Olam 4

JERUSALEM

ISRAEL

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Technology and Innovation Division

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NYSDFS

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