

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

February 28, 2023

Press Release:

**Providing international payment service providers access to Israeli payment systems**

The Bank of Israel has issued a framework providing international payment service providers access to regulated payment systems in Israel. Effective immediately, this framework enables such entities to provide services to the public in Israel, relying on a license issued in a foreign country. The central bank expects this announcement to bolster innovation in the payments arena and to spur entry of new market participants.

The framework formulated by the Bank of Israel establishes two tracks, as set forth below. It's based on an exemption granted to entities licensed in recognized countries[[1]](#footnote-1) as established by Ministry of Finance regulations[[2]](#footnote-2) specifying conditions for providing licensing exemptions to entities providing financial asset services in Israel.

This framework will enable these entities to prepare the technological connection to regulated payments systems, and for some of them, will enable full activity in such systems, based on their foreign-issued license. The Bank of Israel’s framework enables such entities to proceed without waiting for final legislation of the Payment Services Regulation Law which is currently being formulated in Israel and is expected ultimately to become effective.

**Payment and Settlement Systems Division Director Mr. Oded Salomy** said, “Providing access to regulated payment systems in Israel by international payment service providers will increase competition and lead to more diverse products offered to the Israeli public in the payments arena, and ultimately in other financial service sectors deriving from payments.

We invite prospective new players that meet the exemption requirements to contact the Payment Systems Oversight Division at the Bank of Israel, to receive consultation and advice on how best to access local payment systems.”

For more information, please contact the Bank of Israel by email: infops@boi.org.il

**Framework for providing international payment service providers access to regulated payments systems**

The framework for connecting to regulated payment systems[[3]](#footnote-3) by international payment service providers that comply with the exemption terms according to Section 3(7) of the regulations[[4]](#footnote-4), establishes two tracks:

**a. Track A: Connection to the test environment**

This track is available to payment service providers that comply with the exemption terms according to Section 3(7) of the regulations.

Track A allows preparation for connection to the payment systems, including carrying out trials in the test environment in the systems. As part of the process, the payment service provider will be able to receive complete payment system rules and an identification code.

Conditions for participating in this track include:

Providing a comfort letter from the Payment Services Provider’s supervisor abroad that certifies the Payment Services Provider’s compliance with the exemption terms according to Section 3(7) of the provisions.

**b. Track B: Connection to the production environment**

This track is available to payment service providers that comply with the exemption terms according to Section 3(7) of the regulations, only if the provider has been active for at least two years from the date of receiving its foreign license, and if the provider provides services to at least 5 million customers.

This track allows the provider to engage in activities specified in "Track A" and also allows connection to the production environment in the relevant payment systems.

Conditions for participation in this track include:

Providing a comfort letter from the Payment Services Provider’s supervisor abroad that certifies:

* The Payment Services Provider’s compliance with the exemption terms according to Section 3(7) of the provisions
* The existence of oversight of risk management, including data security, cyber security, and business continuity
* That the supervisor is unaware of substantial deficiencies in the entity’s activity in the past 2 years of its activity

In both tracks, the payment service provider will be required, in addition, to certify that it complies with the terms of the license issued to it abroad.

The Bank of Israel reserves the right to change the terms of access to regulated payment systems should it become clear that they cannot be implemented or are not effective.

**After complying with the conditions for participation in the connection track, the request will be submitted to the Governor of the Bank of Israel for approval as a final condition before the connection.**

1. As defined in the Minister of Finance’s Regulations: UK, EU countries, or the US. [↑](#footnote-ref-1)
2. Section 3(7) of the Financial Services Regulation (Controlled Financial Services) (Licensing requirement exemption), 5783-2022, which as of now is valid until 1.1.24. [↑](#footnote-ref-2)
3. The Zahav (RTGS) system operated by the Bank of Israel; payment systems operated by the company Shva: the “Payment Card Service” system and the “ATM Switch” system; and payment systems operated by Masav: “Debits, Credits, and Payment Transfers” and the “Immediate payments (online)” [↑](#footnote-ref-3)
4. Section 3(7) of the Financial Services Regulation (Controlled Financial Services) (Licensing requirement exemption), 5783-2022, which as of now is valid until 1.1.24. [↑](#footnote-ref-4)