

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

November 19, 2023

Press Release:

**Open access to the Israel economy to merchant acquirers holding a foreign license**

The Bank of Israel is enabling international merchant acquirers holding a license from a recognized country[[1]](#footnote-1) to begin the process of accessing the Payment card services, operated by SHVA in Israel, prior to commencing acquiring operations in production. This access will be made available prior to merchant acquirers applying for a license for the provision of acquiring services in Israel. This regulatory action is expected to accelerate the entry time for Israel market by international payment service providers, and as a direct result to contribute to innovation and accelerate competition in the payments sector.

International merchant acquirers seeking to provide acquiring services in Israel are required to complete two processes in parallel: obtaining a local license and obtaining access to the domestic payment card switch, known as Payment card services, operated by SHVA.These two processes are interrelated. Prior to beginning engagement and initial testing with the domestic payment card switch, the merchant acquirer is required to submit an initial approval from its Israeli regulator. At a later stage, before proceeding to active merchant acquiring operations in production, the merchant acquirer is required to submit a final local license issued by its domestic regulator, in accordance with its licensing requirements under local law. Recent legislation established that the authority to issue licenses for merchant acquirers that are not deemed systemically important will transfer from the Banking Supervision Department at the Bank of Israel, to the Israel Securities Authority. The Bank of Israel is aware that some international merchant acquirers choose to wait for the transfer of such authority to become effective, and only then to submit their application for a license to the Israel Securities Authority. To accelerate the process, effective immediately, the Bank of Israel will permits such entities to commence engagement with the domestic payment card switch prior to obtaining an initial approval from Israel Securities Authority.

International merchant acquirers are now able to begin the process of access to the domestic payment card switch even before submitting a local license application, under on Track A in the framework formulated for international payment service providers[[2]](#footnote-2), which includes submission of a comfort letter and authorizations from their regulator in the recognized country in which they hold a license.[[3]](#footnote-3) In order to begin providing commercial acquiring services and to access the production environment, these entities will be required to present a local license from the Israel Securities Authority. This framework makes it possible to begin local engagement immediately, and as a direct result, the international merchant acquirers may secure faster time to market in Israel.[[4]](#footnote-4)

**Payment and Settlement Systems Department Director Mr. Oded Salomy**: “During this period of national emergency we are have seen that that various individuals and entities worldwide seek to utilize international technology companies’ infrastructures to transfer funds and donations to entities and individuals in Israel, such as nonprofit organizations providing assistance to soldiers, to evacuees from areas near the country’s borders who have been forced out of their homes, and to other families impacted by the security situation. Open access to the Israel market to international entities active in the payments sector, and accelerating time to market by international merchant acquirers which is faster than the timetables set in the existing legislation, will promote move innovative, faster and cheaper payment services to the Israeli public. We expect this move will ultimately cultivate the provision of additional financial services deriving from digital payments. International merchant acquirers seeking to launch commercial operations in Israel are invited to contact[[5]](#footnote-5) the Payment Systems Oversight Division in our Department.”

1. “Recognized country”—the UIK, EU countries, and the US. [↑](#footnote-ref-1)
2. The previous framework for opening access to payment systems in Israel to payment service providers that are not merchant acquirers is published on the Bank of Israel website, at <https://www.boi.org.il/en/communication-and-publications/press-releases/providing-international-payment-service-providers-access-to-israeli-payment-systems/> . The previous framework does not apply to acquiring services, as it is based on the Ministry of Finance’s exemption from a license to provide financial asset services. Therefore, as the merchant acquirer license is not subject to the exemption, it is not covered by the application of the previous framework. [↑](#footnote-ref-2)
3. Instead of authorizations from the local regulator and through the start date of the Regulation of Payment Services Occupation Law. [↑](#footnote-ref-3)
4. It should be clarified that commencement of access to the testing environment must take place at a time close to the date of an access period during which the payment systems adds participants to its production environment (up to several months before migrating to the production environment). Therefore, advancing through the preliminary stages before reaching the test environment will be permitted, even before submitting a license application, although in order to advance to the test environment, the merchant acquirer will be required to submit an application for a local license, and after consultation with the regulator in Israel regarding the date that the license is granted, among other things by selecting testing dates close to the period available accessing the production environment. [↑](#footnote-ref-4)
5. The enquiry can be carried out, among other things, by email - [payments-oversight@boi.org.il](mailto:payments-oversight@boi.org.il) [↑](#footnote-ref-5)