BANK OF ISRAEL
Office of the Spokesperson and Economic Information

Press Release

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Another step in expanding access to the payment systems for nonbank participants and to increase competition in the financial system:
The Bank of Israel is allowing licensed nonbank payment service providers to hold overnight balances at the Bank of Israel

In recent years, the Bank of Israel has been working to promote access to supervised payment systems for licensed nonbank payment service providers. Now, for the first time, nonbank entities will be allowed to hold funds overnight at the Bank of Israel, similar to banking corporations.[1]

Until now, nonbank payment service providers were required, at the end of each business day, to transfer their balances in the RTGS (ZAHAV) system to banking corporations and return those balances to the system on the following business morning. This dependence on commercial banks not only limited competition in the payments market, but also created operational risks within the system. The new policy will reduce the service providers' reliance on commercial banks and, accordingly, reduce settlement risks in the system. Under the policy, overnight balances will be subject to a maximum limit and will not bear interest, in line with the practice adopted in the European Union by the ECB, with the necessary adjustments for the Israeli market.[2]

The new policy will take effect approximately 30 days from the date of publication of this announcement.[3]

This is another step as part of a long-term policy led by the Bank of Israel in recent years, in its capacity as overseer of the payment systems, to encourage competition in Israel's payments market while safeguarding the stability and efficiency of the payment systems.

Bank of Israel Governor Prof. Amir Yaron said: "Expanding nonbank service providers' activity at the Bank of Israel is another step being advanced by the Bank of Israel, as overseer of the payment systems, to promote competition in the payments market while preserving its stability and efficiency. The possibility for nonbank entities to hold overnight balances is an important measure, consistent with regulatory developments around the world. The Bank of Israel will continue to act to promote innovation, competition, and the development of Israel's

[1] It should be emphasized that the possibility of holding funds overnight will apply from the date the policy takes effect and will be subject to the operational preparedness required on the part of the nonbank entities.

[2] The maximum amount will be calculated periodically in accordance with the payment service provider's settlement volumes in the RTGS (ZAHAV) system.

[3] By that date, the rules of the ZAHAV system will be updated in accordance with the policy adopted.

payments market, while maintaining the stability and efficiency of the RTGS system and the payments market as a whole."

Ofer Golan, Director of the Payment and Settlement Systems Department, said: "This is a significant milestone, given the potential of nonbank entities to offer advanced and innovative payment solutions that may increase competition in the payments market, streamline business processes, improve financial services for consumers and merchants, and ultimately reduce costs for consumers."

Clarification:
We wish to clarify that this is not a new monetary policy instrument, but rather the granting of permission to nonbank entities to leave a shekel balance overnight at the Bank of Israel for the purpose of settlement activity in the RTGS system. It should be emphasized that this applies only to shekel-denominated activity and to limited amounts determined in accordance with the settlement volumes of the relevant entity, and that the balance will not bear interest.