

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

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Press Release:

**The Bank of Israel publishes a public consultation document for promotion of a gradual framework for granting banking corporation licenses to nonbank entities**

**The Bank of Israel is continuing its efforts to enhance competition within the banking system in order to benefit customers, and is working to formulate a gradual framework of licensing and proportional regulation for granting banking corporation licenses to nonbank entities, including the credit card companies.**

In recent years, the Bank of Israel has taken action to enhance competition in the banking system and to encourage the entry of new participants, by removing regulatory barriers. These include establishing a technological services bureau, establishing a retail credit data register, easing the banking regulation that applies to new banks, simplifying the establishment process, and accompanying the applicants. The removal of barriers led, for the first time in over 40 years, to setting up 2 new banks.

As a complementary step to activities carried out to date, and to encourage the entry of additional participants into the banking system, the Bank of Israel has formed a committee headed by the Supervisor of Banks. The committee's objective is to identify further barriers to entry and to devise a framework that will enable existing non-banking entities, including credit card companies, to obtain a banking corporation license, thereby authorizing them to raise deposits from the public and to provide credit from those deposits.

The Bank of Israel intends to formulate a policy for granting licenses to banking corporations, that will tailor the license and banking supervision to the nature of the requested operations and the risk level of the applicant entity's activities.

For this purpose, the Bank of Israel has published a Public Consultation Document, as part of which it requests to consult with the public and to hear its stance regarding the proposed framework. The Public Consultation Document is attached to this notice.

**Governor of the Bank of Israel Prof. Amir Yaron** said, “Raising deposits from the public and extending credit from them necessitates the obtaining of a bank license from the Bank of Israel, in order to ensure the optimal protection of depositors’ funds in accordance with every international standard. In order to continue to encourage the competition and innovation in the financial system and particularly in the banking system, we seek to promote the granting of a banking corporation license to nonbank entities, under which those entities will be able to take deposits from the public together with additional financial occupations. To that end, we established a Committee headed by the Supervisor of Banks. Its functions will be to identify the barriers to entry and formulate a framework that will allow bank licensing and supervision that is adjusted to the risk level of those entities.”

**Supervisor of Banks Mr. Daniel Hahiashvili** said, “Enhancing the competition in the banking system is one of the issues focused on by the Banking Supervision Department’s work. Granting a banking corporation license to nonbank entities has the potential to enhance competition, both on the credit side and the deposits side, and as a direct result, to benefit customers by reducing the costs of the banking products and improving bank service, mainly for households and small businesses. The current banking legislative and regulatory structure limits the ability of nonbank entities to enter the banking world. The Committee that we are establishing will examine and recommend policy, legislative amendments, and regulation that will reduce the barriers to entry for receiving a banking corporation license, while protecting the funds of depositors and the stability of the financial system.”