

BANK OF ISRAEL

Office of the Spokesperson and Economic Information

Press release

May 21, 2024

**Remarks by the Supervisor of Banks at the press conference on the publication of the Survey of the Israeli Banking System for 2023**

In remarks delivered at a press conference this morning to mark the publication of the Survey of the Israeli Banking System for 2023, Supervisor of Banks Daniel Hahiashvili provided a brief overview of the challenging environment in which the banking system operated and the developments and changes that took place in 2023, including the effects of the Swords of Iron War on the banking system and its financial results. He then reviewed the main risks facing the banking system, the system’s fairness toward its customers, and competition in the banking system, including measures that the Banking Supervision Department has taken in these areas. The following are the main points of his remarks:

* The banking system entered the year with high capital and liquidity ratios, which enabled it to deal with the changes in the activity environment while maintaining financial stability. **“The strength of the banking system is helping it deal with shocks in the economy, maintain economic resilience and financial stability in Israel, and even assist the public in dealing with crisis situations such as we have experienced in recent months.”**
* The Banking Supervision Department is constantly working to improve the level of the system’s fairness toward its customers. Among other things, a customer satisfaction survey that the Department conducted in the past year raised the main issues that are of concern to the public: the low interest rates on funds in current accounts and the low level of service. With regard to interest on current accounts, the Banking Supervision Department is working through means that will enable alternatives to leaving money in current accounts and transferring it to produces that bear higher interest. With regard to service, the Department is instructing the banks on how to implement Directive 501, which was published in 2023, and which sets out principles for the provision of optimal service to customers. **“The Banking Supervision Department will continue taking steps as necessary to ensure that customers receive efficient, high-quality, and fair service from the banking system.”**
* In order to encourage competition in the banking system, the Banking Supervision Department is working on a number of levels, including increasing the transparency of data on credit and deposit interest rates, and advancing the open banking project that will enable the development of tools to compare the banks. In addition, the Department is formulating a program that will enable the provision of bank licenses with more lenient regulation to new entities, including credit card companies. This program will enable those entities to accept deposits from the public and to provide credit to the public based on those deposits. At the same time, **the Supervisor noted that “we cannot allow a situation in which an entity accepts deposits from the public and provides credit from those deposits but does not operate under a banking license with appropriate banking regulation.”**
* In addition, the Supervisor emphasized the effects of technological and other developments on the formulation of the Banking Supervision Department’s vision and supervisory strategy. The Supervisor noted that there is still a large technological leap ahead of us. We are in a world where artificial intelligence technology is accelerating every few weeks, and quantum computing is also advancing. **“The banking system mush be prepared for this, both in terms of the advantages that technology will bring to the financial world and in relation to the responsibility that comes with it to make sure that the risks in inherent in these developments are properly managed.”**