February 2, 2023

Joint Press Release:

**The Committee to Examine Competition in the Credit Market published a concluding report reviewing developments in credit to households and small businesses**

The Committee to Examine Competition in the Credit Market published its concluding report today (Wednesday), and submitted it to the government, the Finance Committee, and the Economic Affairs Committee. The concluding report reviews the progress of the steps to enhance competition in the credit and banking market, and the developments in credit to households and small businesses between 2016 and the middle of 2022.

The government and the various regulators worked in recent years to remove barriers to competition, under the approach that competition in the financial market relies on 3 legs: the entry of new participants, easy switching between suppliers, and enhancing customers’ ability to compare.

A strong majority of the steps established by the Committee to remove barriers was completed, with the investment of considerable efforts to promote competition by the government and the regulators. An exception to this is completing the regulation of payment services, an important step in promoting competition, which is in an advanced process and is expected to be promoted within the framework of the upcoming Economic Plan Law. In addition, there are steps, that although they have not been completed, their implementation takes a long time and therefore we expect to see their impact on enhancing competition in the coming years as well.

An examination of competition indicated that between 2016 and 2020, competition in the retail credit market, increased moderately, mainly in consumer credit, in which institutions and credit card companies increased credit markedly during the period. However, in credit to small and micro businesses, there was no significant change in the balance of powers between bank and nonbank credit, and the banks are the almost sole source of credit to such businesses.

The Committee to Examine Competition in Credit was established in the Increasing Competition in the Banking Market law. In accordance with the provisions of the law, the Committee is co-chaired by the Ministry of Finance Director General and the Bank of Israel Research Department Director, with the participation of the Ministry of Finance Budget Director, the Capital Market Commissioner, the Competition Commissioner, the Supervisor of Banks, and the Head of Payment Systems at the Bank of Israel. As part of the Committee’s role, it is charged with monitoring the implementation of the Increasing Competition and Reducing Concentration in the Credit Market Law, recommending measures to improve and increase competition in the credit market, periodically examining the state of competition in the credit market, and finding barriers to the development of competition in the market.

In addition to the update regarding the implementation of the reforms and an analysis of the level of competition in the area, the Committee examined the issue of separating Cal from Discount. On December 20, the Committee distributed a substantiated recommendation to the Minister of Finance about exercising his powers under Section 11b(d) of the Law.

**Committee co-chair and outgoing Ministry of Finance Director General Ram Belinkov** said, “The current and final report that concludes the Committee’s work indicates again that the way to achieve an efficient and competitive market involves increasing the number of participants, removing bureaucratic hurdles and improving the ability to transfer information between the various financial players and increasing the information held by customers. I hope that additional steps will be taken that will continue the awakening of the trend of competition in the retail credit market, and that the complementary steps will be taken in order to increase the supply of credit to small and micro businesses as well.

**Committee co-chair and retired Bank of Israel Research Department Director Prof. Michel Strawczynski** said, “The report proves that regulators have taken many steps with the goal of promoting competition both in consumer terms and in providing credit to small businesses; in view of the gradual progress that has occurred until now, it can be seen that persistence in the efforts is expected to yield continued positive results in the area of competition.”