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Memorandum of Law

A. Name of the bill

Regulation of Payment Services Law 5782-2022

B. The aim of the bill, the need for the bill, the key provisions, and its effect on existing

On June 3, 2015, the Committee for Increasing Competition in Common Banking and Account Information Services (“the Committee”) was established and was requested to recommend steps to the Minister of Finance and the Governor of the Bank of Israel to increase competition and reduce concentration in the field of banking and account information services. The Committee submitted its conclusions and recommendations on September 1, 2016.

The Committee focused on the need for structural reforms in the fields of banking services and account information services. It was the Committee’s opinion that increasing competition in those fields is based on a “competitive threat” approach that considers the threat by supervised non-bank entities a factor that significantly increases competition. With all respects regarding payment services, the Committee recommended that regulation of the operations of non-bank entities that provide payment services should be based on international regulation in line with the requirements of the European Payment Services Directive 2 (“PSD2”),¹ adapted to the local market. The aims of the regulation are to define uniform requirements for entities that provide payment services, encourage competition in payment services in Israel, and facilitate the entry of new actors into this market.

¹ "PSD" – Directive on Payment Services (2007/64/ec) & Revised Directive on Payment Services (approved by the European Parliament at 8.10.2015).

As part of the Committee’s activities and pursuant to its recommendations, a subcommittee was established in March 2016 whose members included representatives of the Bank of Israel, the Ministry of Justice, the Ministry of Finance, and the Capital Market Insurance and Savings Authority and the Competition Authority. The subcommittee’s work was designed to develop a broad and uniform regulation for all payment services (issuing, clearing, and settlement of payment instruments, and management of payment accounts) that aligns with the technological developments in the field of payment services, will provide comprehensive consumer protection, and facilitate competition between the various payment service providers. This regulation was designed, among other things, to ensure fairness and increase public trust in advanced payment instruments, consequently expanding their use, while regulating their access to payment systems. Following the subcommittee’s work, a Memorandum of Law for Regulation of Supervision of Payment Services was published for public comments on August 13, 2018, and many responses were received from the public and entities operating in the payment market. The legislation process was, however, not completed. On January 9, 2019, the Payment Services Law 5779-2019 (“the Payment Services Law”) was passed, defining rules for payment service providers’ obligations to their customers. Government Resolution No. 215 dated August 1, 2021 concerning “Promotion of the Payment Market – Regulation of Payment Services,” determined that a current version of the Memorandum of Law must be published for public comments in order to complete the legislative procedure.

In accordance with the government’s decision, this Memorandum seeks to establish in legislation a regulatory framework for payment services provided by non-bank entities. These services, engagement in which will be subject to a licensing requirement and the supervision of the ISA, include payment initiation; issue of payment orders; acquiring of payment transactions; issue of payment instruments; transfers of funds to beneficiaries without managing an account for the beneficiary; and management of payment accounts that enable transfers of payments for products and services. It should be noted that these rules refers to the traditional activities in the field of electronic payments that are included in PSD2, and they are expected to encourage competition by allowing non-bank entities to enter the market and develop within in, alongside the banks already operating in the market, all the while protecting customers’ interests.

C. Effect of the Memorandum on the budget and work force of the Memorandum’s sponsor, other ministries, and other authorities

Several new job slots in the ISA will be added.

D. Following is the text of the proposed Memorandum and the explanatory notes.

Memorandum of Law sponsored by the Ministry of Finance:

Memorandum of Law – Regulation of Payment Services 5781-2021

Chapter A: Definition of Terms

Definition of terms 1 .

In this law -

“Information security” – as this terms is defined in the Section 7 of the Privacy Protection Law 5741-1981;²

“Means of control,” “interested party,” “equity,” “senior officer,” and “control” – as these terms are defined in the Securities Law;

“Payment instrument,” “payment order,” “issue” of payment instrument, “payment account,” “customer,” “beneficiary,” “payer,” “acquiring” of a payment transaction,” “payment transaction,” and “authentication element” –as these terms are defined in the Payment Services Law;

“Material interested party” in a corporation – whoever holds more than 20% of a specific type of means of control;

“Holder of a credit mediation system license” – whoever holds a license to operate a credit mediation system, as this term is defined in the Supervision of Regulated Financial Services Law;

“Holder of a lender license” – whoever holds a license to grant credit, as this term is defined in the Supervision of Regulated Financial Services Law;

“Holder of an account information service license” - whoever holds a license to provide account information services, as this term is defined in the Account Information Service Law 5782-2021;³

“Institutional body” – as this term is defined in the Supervision of Insurance Law.

“Managing entity” – a banking corporation; a stock exchange member; the Postal Bank; a bank outside Israel or whoever is authorized by law in its country of operation to provide payment services if the Chair of

² Book of Laws 5741, p. 128; Book of Laws 5777, p. 986.

³ Book of Laws 2933, p. 288

the ISA finds that the law and supervision that apply to it outside Israel provide sufficient protection to customers in Israel; or any other entity designated by the Minister, only if it is subject to statutory supervision, including to the Prohibition Against Money Laundering Law;

“Payment order” - a payer’s order, made through a payment instrument, to a payment service provider to execute a payment transaction, including if the order is made through another party, including the beneficiary;

“Commissioner of Capital Market Insurance and Savings” – the Commissioner of Capital Market Insurance and Savings appointed in accordance with Section 2 of the Supervision of Insurance Law.

“Supervisor of the Banks” – has the meaning given this term in Section 5 of the Banking Ordinance;

“Supervisor of Financial Service Providers” – has the meaning given this term in Section 2 of the Supervision of Regulated Financial Services;

“Governor” – the Governor of the Bank of Israel appointed in accordance with Section 6 of the Bank of Israel Law;

“The ISA” – the Israel Securities Authority;

“The Minister” – the Minister of Finance;

“Payment company” – a holder of a payment service license issued in accordance with this Law;

“The Bank of Israel Law” – The Bank of Israel Law 5770-2010;⁴

“The Banking Law (Licensing)” – The Banking Law (Licensing) 5741-1981;⁵

“The Investment Advice Law” – The Regulation of Investment Advice, Investment Marketing, and Investment Portfolio Management Law 5755-1995;⁶

⁴ Book of Laws 5770, p. 452; 5779, p. 58.

⁵ Book of Laws 5741, p. 282; 5777, p. 659.

⁶ Book of Law 5755, p. 416; 5777, p. 1070.

“The Penal Law” – the Penal Law 5737-1977;⁷

“The Supervision of Insurance Law” – the Supervision of Financial Services Law (Insurance) 5741-1981.⁸

“The Supervision of Regulated Financial Services Law” - the Supervision of Financial Services Law (Regulated Financial Services) 5776-2016;⁹

“The Insolvency Law” – the Insolvency and Economic Rehabilitation Law 5778-2018;¹⁰

“The Payment Systems Law” – the Payment Systems Law 5768-2008;¹¹

“The Securities Law” – the Securities Law 5728-168;¹²

“The Account Information Service Law” – the Account Information Service Law 5782-2021;¹³

“The Payment Services Law” – The Payment Services Law 5789-2019;¹⁴

“Payment initiator” – a holder of a payment initiation license issued in accordance with this Law;

“Payment initiation” – writing a payment order through a payment order interface system, in a payer’s account that is managed by a payment account manager that does not provide payment initiation services, at the customer’s request, whether or not the payer and the beneficiary are the same individual;

“Money” – legal tender issued in accordance with Section 41 of the Bank of Israel and Foreign Currency Law;

“Regulator” – as this term is defined, as relevant:

- (1) With respect to a payment initiator and a payment company that is not an insurer - the ISA;
- (2) With respect to a payment company that is an insurer – The

⁷ Book of Laws 5737, p. 226; 5778, p. 887

⁸ Book of Laws 5741, p. 208.

⁹ Book of Law 5776, p. 1089; Book of Laws 5777, p. 1076.

¹⁰ Book of Laws 5778, p. 310.

¹¹ Book of Laws 5768, p. 184; 5778, p. 414.

¹² Book of Laws 5728, p. 234; Book of Laws 5778, p. 2.

¹³ Pending publication.

¹⁴ Book of Laws 5779, p. 201; 5780, p. 14.

Commissioner of Capital Market Insurance and Savings;

- (3) With respect to an entity exempt from licensing as stated in Section 3(a) — the following, as relevant:
 - (a) With respect to a banking corporation, an auxiliary corporation, and a payment company of systemic financial importance that was issued a license by the Governor in accordance with Section 36K of the Banking Law (Licensing) — the Supervisor of Banks;
 - (b) With respect to the Postal Bank – the Supervisor of Monetary Services, as this term is defined in Section 88M of the Postal Law 5746-1986;
 - (c) With respect to any other entity listed in Section 3(d) – the Governor;
 - (d) With respect to a holder of deposit and credit service license – the Supervisor of Financial Service Providers as this term is defined in Section 2 of the Supervision of Regulated Financial Services Law;
 - (e) With respect to other entities that are exempt from a license under Section 3(a)(6) – the ISA;
 - (f) With respect to other entities listed in Section 3(a)(7) or 3(c) – the regulator of said entity;
- (4) With respect to an entity exempt from a licensing requirement and subject to an authorization requirement as stated in Section 3(b) — the following, as relevant:
 - (a) With respect to an entity listed in paragraph (3) – the regulator listed in paragraph (3);
 - (b) With respect to an institutional body – the Commissioner of Capital Market Insurance and Savings;
 - (c) With respect to holder of a lender license or a credit mediation system license – the Supervisor of Financial Service Providers;
 - (d) With respect to a holder of an account information

service license and an investment portfolio manager – the ISA;

“Insurer” – as this term is defined in the Supervision of Insurance Law;

“Foreign currency” – as this term is defined in the Bank of Israel Law, not including foreign currency designated by the Minister in regulations;

“Portfolio manager” – whoever holds a portfolio management license in accordance with the Investment Advice Law;

“Controlled system” – as defined in the Payment Systems Law;

“Payment order interface system” – a secure online system through which a payment service provider that manages a payment account for a payer is obligated to grant access to the payer’s payment account in order to write or issue a payment order in accordance with Section 32, and whose features are listed in Addendum One;

“Payment system” – as this term is defined in the Payment Systems Law;

“Issuer” – a payment company whose business is the issuance of payment instruments;

“Large-volume issuer” – any of the following:

- (a) an issuer that issued 10% of more of the total number of valid payment cards issued in Israel, or that at least 10% of the total value of the transactions made in Israel through payment cards issued in Israel in the preceding calendar year were made through payment cards that it issued; To calculate these percentages, the Minister of Finance may instruct, at the suggestion of or in consultation with the ISA and in consultation with the Competition Commissioner, that any or all of the following will be considered part of an issuer, if the Minister believes that this is necessary to ensure competition in the field of acquiring payment card transactions or to guarantee the interests of customers or suppliers:
 - (a) A corporation in which the issuer is a material interested party;
 - (b) A corporation that controls the issuer;
 - (c) A corporation in which the controlling shareholder of an issuer is a material interested party;

For the purpose of this definition, “payment card” – as this term is defined in Section 11B of the Banking Law (Licensing), excluding a token or other multi-use object designed exclusively for withdrawing funds from automated teller machines; “Payment cards issued in Israel” –includes those issued by whoever is exempt from a license under this Law;

- (b) An issuer of payment instruments of the type of payment instruments determined by the Minister, at the suggestion of or in consultation with the ISA and in consultation with the Competition Commissioner, on the basis of considerations related to competition in the financial system, where the percentage of payment instruments it issued of the total similar payment instruments issued in Israel exceeds the percentage defined by the Minister, or where the percentage of transactions performed through the payment instruments that the issuer issued of the total number of transactions performed in Israel using similar payments instruments issued in Israel in the previous calendar year exceeds the percentage to be determined by the Minister; To calculate these percentages, the Minister of Finance may instruct, at the suggestion of or in consultation with the ISA and in consultation with the Competition Commissioner, that the issuers listed in paragraphs (1)-(3) of sub-paragraph (a), either in entirety or in part, will be considered part of an issuer, if the Minister believes that this is necessary to ensure competition in the field of acquiring transactions performed through payment instruments or to guarantee the interests of customers or payees:

“Participant” of a payment system - as this term is defined in the Payment Systems Law;

“Granting credit that is ancillary to a payment transaction” - credit by a payment company that is not an insurer and that meets the conditions listed below, and a credit facility granted by it, the execution of which meets the conditions listed below:

- (1) The credit is ancillary and granted exclusively in connection

with the execution of a payment transaction

- (2) The credit granted shall be repaid within a short period which shall in no case exceed 12 months;
- (3) The credit shall not be granted from the money received or held by the payment company for the purpose of executing a payment transaction;
- (4) The payment company's equity will be appropriate in view of the overall amount of credit granted , to the satisfaction of the ISA;
- (5) Additional conditions to be determined by the Minister at the suggestion of or in consultation with the ISA;

“Issue a payment order” – to issue a payment order, through a payment order interface system, on behalf of a payer, to the payer's payment account manager, at the payer's request, whether or not the payer and the beneficiary are the same individual;

“payment initiation service provider” – a payment initiator and whoever was authorized by a regulator under Section 18 to provide payment initiation services.

“Payment service provider” – a payment company or whoever is exempt from a licensing requirement under this Law that provides payment services;

“Foreign payment service provider” – whoever holds a foreign license for payment service operations, where the Chairperson of the ISA is satisfied that the applicable regulation and supervision to which it is subject provide adequate protection to customers, compared to a payment service license;

“Acquirer” – a payment company whose business is acquiring payment transactions;

“Large-volume acquirer” – any of the following:

- (a) an acquirer that acquired at least 20% or more than of the total number of transactions made through payment cards acquired in Israel by acquirers, or of the total consideration paid to suppliers in Israel by acquirers, in the preceding calendar year; For the purpose of the calculation, the Minister may, at the suggestion of or in consultation with the ISA and in consultation with the

Competition Commissioner, instruct that the following, either in entirety or in part, will be considered part of the acquirer if the Minister believes that this is necessary to ensure competition in the field of credit card issuance or to protect the interests of customers or suppliers:

- (1) A corporation in which the acquirer is a material interested party;
 - (2) A corporation that controls the acquirer;
 - (3) A corporation in which the party that controls the acquirer is a material interested party.
- (b) An acquirer of payment transactions performed through the type of payment instrument determined by the Minister, at the suggestion of or in consultation with the ISA and in consultation with the Competition Commissioner, on the basis of considerations related to competition in the financial system, where the percentage of transactions performed through said type of payment instrument that it acquired, of the total transactions acquired through similar payment instruments in Israel exceeds the percentage defined by the Minister, or where the total consideration paid to suppliers in Israel by acquirers in respect of transactions performed through said payment instruments, in the preceding calendar year, exceeds the percentage to be determined by the Minister; To calculate these percentages, the Minister of Finance may instruct, at the suggestion of or in consultation with the ISA and in consultation with the Competition Commissioner, that the parties listed in paragraphs (1)-(3) of sub-paragraph (a), either in entirety or in part, will be considered part of an acquirer, if the Minister believes that this is necessary to ensure competition in the field of acquiring transactions performed through payment instruments or to guarantee the interests of customers or payees:

For the purpose of this definition –

“Payment card” – as this term is defined in Section 11B of the Banking Law (Licensing), excluding a token or other object for multiple use designed exclusively to withdraw funds from

automated teller machines; “acquirers” – including whoever is engaging in acquiring and is exempt from a license under this Law;

“Fourth-party Acquiring” – acquiring transactions by a party that is not the issuer of the payment instrument used to make the transaction;

“Supplier” – as this term is defined in Section 11B of the Banking Law (Licensing);

“Payment transaction” – transfer of money from a payer to a beneficiary, as detailed below:

- (1) Transfer of money that is deposited in one account to another account, only if at least one of the accounts is a payment account;
- (2) Deposit of money in a payment account;
- (3) Withdrawal of money from a payment account;

“License” – a payment initiation license or a payment service license issued under this Law;

“Payment initiation license” – a license to engage in payment initiation issued under this Law;

“Payment service license” – a license to engage in payment services issued under this Law;

“Deposit and credit services license” – as this term is defined in The Supervision of Regulated Financial Services Law;

“Payment service” – any of the following services, excluding services listed in the Second Addendum;

- (1 Managing a payment account;
)
- (2 Issuing a payment instrument;
)
- (3 Acquiring a payment transaction even if the acquirer does not
) manage a payment account on behalf of the beneficiary;
- (4 Issuing payment orders.
)

“Banking corporation” – as this term is defined in the Banking Law (Licensing).

Chapter B: Licensing

Article A: Requirement to Obtain a License or Authorization

- Licensing requirement 2 (a) (1) A person shall not engage in the provision of payment services without a license issued by the ISA under this law in accordance with the conditions of the license and the provisions of this Law.
- (2) Notwithstanding the provisions of paragraph (1), an insurer shall not engage in the provision of payment services without a license for this purpose issued by a regulator under this Law, in accordance with the conditions of the license and the provisions of this Law.
- (b) A person shall not engage in payment initiation services without a license for this purpose issued by the ISA or an authorization issued by a regulator under this Law, in accordance with the conditions of the license or authorization, as relevant, and the provisions of this Law.
- Exemption from licensing requirement 3 (a) The licensing requirement under Section 2(a) will not apply to:
- (1) A banking corporation and auxiliary corporation;
- (2) A holder of a payment company license of systemic financial significance, as this term is defined in Section 36K of the Banking Law (Licensing), and a corporation controlled by it or a corporation in which it holds more than 20% of a specific type of means of control that perform the payment service;
- (3) The Postal Bank, as this term is defined in the Payment Services Law;
- (4) A controlled system, as this term is defined in the Payment Systems Law, in its capacity as a controlled system;
- (5) A holder of a deposit and credit service license, in its capacity of its operations under said license;
- (6) A party whose business is to provide payment services through a specific payment instrument that allows the purchase of

products or services that are one of the following, only if they gave notice to the ISA of the provision of such service:

(a) Products or services that are sold exclusively by a payment instrument issuer; The Minister may make rules in the matter of the volume and amounts of the products and services, and other conditions in addition to this sub-paragraph;

(b) Products or services that are sold in a small volume or limited amount or to several customers or in a small number of transactions, as determined by the Minister;

The ISA may issue directives to define the information that must be included in said notice, the timing and manner of its delivery, and any documents and reports to be attached to it.

(7) The Minister may, at the suggestion of or in consultation with the ISA, designate additional entities to which the licensing requirement under this Law will not apply in general or will not apply with respect to a specific type of payment service; The Minister may make regulations under this sub-paragraph that define conditions that will apply to a service provided by such exempt entities.

(b) The licensing requirement under Section 2(b) will not apply to the entities listed in subsection (a)(1)-(5) or to a payment company, an institutional body, a holder of a credit mediation system license, a holder of a lender license, a holder of an account information service license, and a portfolio manager, that were granted authorization for those activities by the relevant regulator in each case, in accordance with the provisions of Article D and the terms of the authorization and the provisions of this Law.

(c) The Minister may, at the suggestion of or in consultation with the ISA, define additional classes of entities in the field of finance and whose financial operations are subject to statutory supervision, to which the licensing requirement under this Law will not apply under Section 2(b) and that which an authorization requirement under subsection (b) will apply; Regulations under this subsection will be

made at the suggestion of or in consultation with the statutory regulator of said entity, with the consent of the Minister of Justice, and in consultation with the ISA; and with respect to an entity supervised by the Bank of Israel - at the suggestion or with the consent of the Governor and in consultation with the ISA.

- (d) The Minister, at the suggestion of or in consultation with the ISA, with the consent of or at the suggestion of the Governor, may determine that a specific entity or class of entities that provide payment services is required to obtain a license under the provisions of Chapter D2 of the Banking Law (Licensing) in lieu of a license in accordance with this Law, if the Minister believes that this is necessary to maintain the stability and regular operations of the financial systems.

Article B: A Payment Service License

Conditions for
a license

- 4 (a) The ISA may issue a payment service license or a payment initiation license to an applicant that satisfies all of the following conditions:
- (1) It is a company, as this term is defined in The Companies Law, or it is registered as a foreign company under Section 346 of the Companies Law;
 - (2) It is able to comply with all the directives issued under this law and the Payment Services Law, and these are enforceable on it;
 - (3) It has the technical skills and appropriate means to perform payment service or payment initiation operations, as relevant, in a manner that ensures the credibility and fairness of the operations, and compliance with the provisions of this Law and the Payment Service Law, and specifically the provisions related to information security, cyber defense, and risk management, as the ISA determined; and with respect to an applicant that seeks to provide payment services – also to business continuity and maintenance of the stability of the payment system; IThe ISA may also define other requirements for each type of payment or payment initiation service and scope of operations;

- (4) The business plan and the declaration of financial means that an applicant for a payment service license that is attached to the application in accordance with Section 5 attests to its ability to provide the payment service or payment initiation service in respect of which the application is submitted and to comply with the provisions of this law and the Payment Services Law;
 - (5) It satisfies the requirements related to insurance, minimum capital or other collateral security, as defined by the ISA under Section 29(a);
 - (6) No receiver was appointed for it by a court or no court ordered its liquidation, and the applicant did not decide on voluntary liquidation;
 - (7) If a controlling shareholder exists – it satisfies the conditions for a control permit in accordance with Section 12.
- (b) If the ISA finds that, due to public interest considerations, a license applicant is not suitable for providing payment services or payment initiation services, among other things for considerations related to their trustworthiness, the trustworthiness of their controlling shareholder or a senior officer or a controlling shareholder thereof, the ISA may, in a reasoned decision in writing, reject the application for a license even if the applicant meets the conditions in subsection (a), only if the ISA gave the applicant an opportunity to present its arguments to the ISA or to any ISA employee authorized for this purpose, in such manner as the ISA instructed.

Application for
a license

- 5 .
- (a) An application for a license will be submitted to the ISA. In the application, the applicant will specify the type of license requested, and with respect to a payment service license – also the payment service that the applicant wishes to provide;
 - (b) The license application will be attached by documents that attest to the satisfaction of the conditions for a license stated in Section 4, and the ISA may make rules to define the information to be included in these documents or additional documents and reports to be attached to the application;
 - (c) The Chairperson of the ISA or an ISA employee authorized for this purpose may demand additional information, documents, or reports of

a license applicant if they believe that they are necessary in order to make a decision on the application.

Conditions of
the license

- 6 (a) A payment service license will state, in addition to other information, one or more types of payment services that the license holder may provide.
- (b) The ISA may define conditions in a payment service license or a payment initiation license and may revise said conditions, only if it notified the license holder of its reasons and gave them an opportunity to present their arguments before it or before an ISA employee authorized by the ISA for this purpose, in such manner as it instructed.

Revocation
and suspension
of a license

- 7 (a) The ISA may, by written reasoned decision, revoke or suspend a license if it finds that any of the following obtain:
- (1) The license was granted on the basis of false or incorrect information;
 - (2) The license holder no longer satisfies one of the conditions for the license as stated in Section 4 or it violated one of the conditions determined in the license in accordance with Section 6;
 - (3) Insolvency proceedings, as defined in the Insolvency Law are being conducted against the license holder;
 - (4) One of the circumstances in the list determined under subsection (b), that attests to a deficiency in the license holder's trustworthiness, as stated in that subsection, obtains; Such circumstances will be assessed with respect to the license holder and its controlling shareholder and with respect to a senior officer of the license holder or the controlling shareholder thereof;
 - (5) The license holder violated a provision of the directives issued under this Law.
 - (6) Public interest considerations justify the revocation or suspension of the license, and specifically in the event that the license holder's operations may threaten or adversely affect the

stability of or trust in the payment system.

- (b) The ISA will define a list of circumstances that attest to a deficiency in the trustworthiness of a payment company or payment initiator, their controlling shareholder, and a senior officer thereof or a controlling shareholder thereof (in this sub-paragraph – the list); The list will be published on the ISA website and will come into effect 30 days after its publication date, yet any revision to the list will not apply to a pending proceeding under subsection (a)(4); Notice of the publication of the list and any revision to it, and its commencement date, will be published in Reshumot.
- (c) If the Chairperson of the ISA believes that a deficiency as stated in subsection (a)(1)-(6), in respect of which the ISA may take the steps stated in that subsection, is rectifiable, the Chairperson may instruct the license holder to rectify the deficiency and may order the manner and timing of said rectification; If said date elapsed and the deficiency was not rectified to the satisfaction of the Chairperson of the ISA, the ISA may take the steps stated in subsection (a).
- (c) The ISA will revoke or suspend a license as stated in subsection (a) only after having given the license holder an opportunity to present its arguments before it or before any party authorized for this purpose by the ISA and in such manner as it determines; However, the Chairperson of the ISA may suspend a license immediately if special reasons justify such action, only if they gave the license holder an opportunity to present its argument as soon as possible and no later than 30 days after the suspension of said license.
- (d) The ISA will not revoke or suspend a license as stated in sub-paragraph (a) unless it gave the license holder an opportunity to present their arguments before it or an employee it authorized for this purpose, in such manner as it instructs. However, the Chairperson of the ISA may, in a reasoned decision in writing, suspend a license immediately if special reasons justify it, only if the license holder was given an opportunity to present their arguments before the ISA as stated above, as soon as possible after the suspension of the license and no later than 30 days from the date of said suspension.
- (e) If the ISA revoked or suspended a license in accordance with this Section, the ISA will publish a notice on the ISA website and with

respect to suspension of a license — will also publish the period of suspension in said manner.

- Supervision of a party whose license was revoked or suspended
- 8 (a) Whoever had a license revoked or suspended must comply with all the provisions that apply to a payment company or a payment initiator under this Law and the Payment Services Law as long as commitments made to customers before the license was revoked or suspended remain in effect.
- (b) The Chairperson of the ISA or an ISA employee authorized by the Chairperson for this purpose may issue instructions to a party whose license was revoked or suspended regarding the management of their business, insofar as such instructions are considered necessary to protect the customers who entered into an agreement with the license holder before their license was revoked or suspended; Nothing in this provision releases any party whose license was revoked or suspended from their responsibility to fulfill the commitments they made to their customers before their license was revoked or suspended.
- Liquidation of the business of a payment company or a payment initiator
9. (a) A payment company or a payment initiator that decides on voluntary liquidation or on the winding up of their business in general or with respect to a specific business segment, or against which liquidation proceedings were initiated, will notify the ISA within seven days.
- (b) The provisions of Section 8 also apply to a payment company or a payment initiator as stated in subsection (a), with the necessary changes.
- Application of the provisions to an insurer
10. Sections 4-9 will also apply to an insurer and to the regulator of its affairs, with the necessary changes, and with respect to Section 4(a)(7) — it satisfies the conditions for a control permit in accordance with Section 32 of the Supervision of Insurance Law.

Article C: Permit to Control a License Holder

- Application of this Article
11. In this Article, “a license holder” – a license holder in accordance with this Law, excluding an insurer.

- Control permit in a license holder
12. (a) A person shall not have control of a licensee without a control permit issued by the ISA.
- (b) The ISA may refuse to issue a permit under this Section for the following reasons only:
- (1) An order was issued against the control permit applicant to commence proceedings under the Insolvency Law, or one of the following obtains, as relevant:
- (a) With respect to an applicant that is an individual – the applicant was declared incompetent;
- (b) With respect to a corporate applicant - an order was issued for its liquidation or a receiver over its assets or a material part thereof was appointed due to an outstanding debt;
- (2) Reasons related to the public interest or the trustworthiness of the permit applicant or a senior officer thereof;
- (c) Whoever holds means of control in a license holder may not knowingly transfer them to another party that requires a control permit and has no such permit.
- (d) The provisions of subsection (a) will not apply to whoever becomes a controlling shareholder of a license holder as a result of a lawful transfer of means of control.
- Revocation of a control permit
13. (a) The ISA may revoke a control permit by a reasoned decision in writing, after giving the holder of the control permit an opportunity to present its arguments, if any of the following obtain:
- (1) The provisions of Section 12(b)(1) obtain;
- (2) The Chairperson of the ISA found that one of the circumstances listed in the list in accordance with Section 7(b), which attest to a deficiency in the trustworthiness of a holder of a control permit or in a senior officer thereof, obtains;
- (3) Public interest considerations that justify the revocation of the control permit.
- (b) The Chairperson of the ISA finds that one of the defects stated in subsection (a)(1)-(3), in respect of which the ISA may revoke the control permit, may be rectified, the Chairperson may order the

holder of the control permit to rectify it and may order the manner and timing of its rectification. If said time passed and the defect was not rectified to the satisfaction of the Chairperson of the ISA, the ISA may revoke the control permit.

Provisions for parties that operated without a control permit

14. (a) If the Chairperson of the ISA sees that a person is a controlling shareholder in a license holder without a control permit, the Chairperson may order, in a reasoned decision in writing, after giving said person an opportunity to present their arguments:
- (1) the sale of the means of control held by said person, either in entirety or in part, within such period as the Chairperson determines, so that the person will no longer be a controlling shareholder;
 - (2) not to exercise the voting rights or the rights to appoint a director or a general manager on the basis of the means of control held by said person without a control permit;
 - (3) that any votes based on the means of control held by said person without a control permit will not be counted in the vote;
 - (4) the termination of the appointment of a director or general manager made by said person;
- (b) If a person is a controlling shareholder in a license holder as a result of a legal transfer of means of control, the Chairperson of the ISA or an employee that they authorized for this purpose, may, after having given that person an opportunity to present their arguments, order them to cease holding said means of control, either in entirety or in part, within such period as the Chairperson or ISA employee orders, as a result of which the person will no longer be a controlling shareholder.
- (c) If the Chairperson of the ISA ordered, in accordance with the provisions of subsection (b), to cease holding means of control, the Chairperson may issue an order as stated in subsection (a)(2) to (4), with the necessary changes.
- (d) If a controlling shareholder failed to cease holding means of control as ordered by the Chairperson of the ISA in accordance with

subsection (a) or (b), the court may appoint a receiver to sell said means of control, at the ISA's request.

Obligation to notify the ISA, a license holder, and a holder of a control permit

15. (a) A license holder and a holder of a control permit thereof will notify the ISA without delay—
- (1) If a condition for the issue of the license or the control permit, as relevant, no longer is satisfied;
 - (2) If a condition obtains, in respect of which the ISA may revoke or suspend the license or revoke the control permit, as relevant; and in the case of a test of trustworthiness as stated in sections 7(a)(4) or 13(a)(2), any of the circumstances listed in Section 27(c)(1) to (6) of the Investment Advice Law obtains with respect to them or a senior officer thereof, in Israel or overseas.
- (b) A senior officer of a license holder or of a holder of a control permit will notify the license holder or the holder of the control permit, as relevant, if any event stated in Section 27(c) of the Investment Advice Law obtains with respect to them, as stated in subsection (a)(2), without delay; A notice under this subsection will include the information required by the license holder or the holder of a control permit, as relevant, to fulfill their obligations under subsection (a).

A payment company with no controlling shareholder

The provisions of Sections 12 to 15 will apply, with the necessary changes, to an interested party of a payment company in which there is no controlling shareholder that holds 50% of the means of its control.

Article D: Approval by a

Regulator to Engage in Payment Initiation

Conditions for an authorization

17. (a) The regulator may grant an entity listed in Section 3(a)(1)-(5) and a payment company, an institutional body, a holder of a lender license, a holder of a credit mediation system license, a holder of an account information license, a portfolio manager, or to any other entity determined in accordance with Section 3(c), as relevant, which so

requested, authorization to provide payment initiation services, only if the provisions of Section 4(a)(3) obtain with respect to it.

- (b) If the regulator finds that the authorization applicant is not suitable to provide payment initiation services, due to public interest considerations, the regulator may, in a reasoned decision in writing, refuse to grant authorization to the applicant even if the applicant meets the conditions in subsection (a), only if the ISA gave the applicant an opportunity to present its arguments to the ISA or to any ISA employee authorized for this purpose, in such manner as the ISA instructed.

Application for
authorization

- 18. (a) An application for authorization will be submitted to the regulator.
- (b) An application for authorization will be attached by documents that attest to the satisfaction of the conditions for authorization, including the applicant's business plan; The regulator will define, in rules, the information that will be included in said business plan, and may, in rules, define additional information, documents, and reports that will be included or attached to an application.
- (c) The regulator may demand of the applicant additional information, documents, or reports, in addition to the provisions of subsections (a) and (b), if the regulator believes that they are necessary in order to make a decision on the application.

Details and
terms of the
application

- 19. The provisions of Section 6(b) will apply to the terms of the authorization, with the necessary changes, and with this change: "the ISA" will be replaced by "the regulator."

Revocation or
suspension of
authorization

- 20. (a) A regulator may, by a reasoned decision in writing, revoke or suspend an authorization if they find that one of the following obtains:
 - (1) The authorization was granted on the basis of false or erroneous information;
 - (2) The condition for the authorization stated in Section 17(a) no longer obtains with respect to the holder of the authorization, or it violated any of the terms of the authorization defined in the authorization in accordance with Section 19;
 - (3) The holder of the authorization violated a provision of the

directives issued in accordance with this Law or directives issued by the regulator;

- (4) The regulator suspended the license to engage in the field of finance that it issued in accordance with another law to the holder of the authorization, and with respect to an entity determined in accordance with Section 3(c) that does not hold such a license – the regulator legally restricted its financial operations;
- (5) Public interest considerations justify the revocation or suspension of the authorization.

- (b) A suspension in accordance with subsection (a) will be for a period of no more than one year, and for special reasons – no more than five years; The provisions of this subsection will not apply to a suspension in accordance with subsection (a)(4).
- (c) The provisions of Section 7(d) will apply to a revocation or suspension of an authorization, with the necessary changes and with this change: “the ISA” and “the Chairperson of the ISA” will be replaced by “the regulator.”

Supervision over a party whose authorization was revoked or suspended

- 21. The provisions of Section 8 will apply to any party whose authorization was revoked or suspended, with the necessary changes and with these changes: “the Chairperson of the ISA” will be replaced by “the regulator,” and “an ISA employee whom the Chairperson authorized for this purpose” will be replaced by “an employee of the regulator who was authorized for this purpose.”

Article E: Miscellaneous Provisions

Payment Service Providers Register

- 22. (a) The ISA will administer a register of payment service providers and will publish the register on its website. The register will contain all of the following:
 - (1) A list of license holders and holders of authorization under ISA supervision, and their details;
 - (2) A list of insurers that hold a payment service license, the

entities exempt from a requirement to obtain a license as stated in Section 3, and the entities that were granted authorization by a regulator to engage in payment initiation, and their details, as each submitted to its respective regulator.

- (b) The register will include the following information:
- (1) Details of the payment service provider or the payment initiation service provider, including their contact information;
 - (2) The type of payment service that the payment service provider may provide in accordance with the license or exemption;
 - (3) The identity of the regulator of the payment service provider or the payment initiation service provider;
 - (4) A payment company whose license was revoked or suspended in accordance with the provisions of Section 7;
 - (5) A payment initiation service provider whose license or authorization was revoked or suspended in accordance with the provisions of Section 7 or Section 20.

Exemption of a foreign payment service provider from the provisions of this Chapter

23. The ISA may exempt from the provisions of Sections 4(a), 12 to 16 of this Chapter, or stipulate conditions for such exemption, in entirety or in part, a license applicant, a license holder (excluding an insurer), or a holder of an authorization issued by the ISA to engage in payment initiation that is foreign payment service provider subject to the provisions of foreign law as stated in the Third Addendum, if the ISA believes that such exemption is warranted due to the application of said provisions of foreign law, while protecting the customers' interests.

Chapter C: Operations of a Payment Company and a Payment Initiation Service Provider

Businesses permitted to a payment company

24. (a) A payment company will engage exclusively in the provision of payment services and may also engage in currency conversion and credit granting that are ancillary to a payment transaction.

(b) Notwithstanding the provisions of subsection (a), a payment company may engage in additional businesses, if the Chairperson of the ISA finds that they are not expected to detract from the fulfillment of the

payment company's legal obligations or its customers' interests, and do not create a tangible conflict of interest concern with its business of providing payment services;

- (c) The ISA may demand of a payment company that the businesses stated in subsection (b) will be performed by a corporation that is separate from the payment company, and may define additional conditions of such businesses if the ISA finds these necessary for the purpose of effective supervision or protection of the customers' interests.
- (d) In this section, the term "payment company" does not include a payment company that is an insurer.

Adequate mechanisms and determining procedures

25. (a) Without detracting from the provisions of law, a payment company and a payment initiation service provider will ensure the existence of the proper, advanced mechanisms of information security, risk management (including operational risk management), money laundering and terror financing risks, business continuity (with respect to a payment company), and cyber defense. The ISA, the regulator of the payment initiation service provider, and in the case of an insurer that is a holder of a payment service license – the Commissioner of Capital Market Insurance and Savings, will issue directives in this matter, including a requirement to appoint officers in charge of information security, risk management, business continuity, and cyber defense.
- (b) A payment company and a payment initiation service provider will, in order to manage their proper operations, define the following procedures, and will take steps to ensure their implementation, which includes allocation of resources for that purpose:
- (1) Procedures concerning the proper management of the work of the board of directors and its committees in a manner consistent with the nature and scope of the payment company's operations, including the existence of proper control and oversight mechanisms.
 - (2) Procedures designed to ensure the proper and fair management of the payment company and payment initiation service provider, including procedures to identify and address conflicts

of interest in their operations, and procedures to identify and manage risks to which they are exposed.

(3) Procedures concerning emergency preparedness and business continuity;

(4) Procedures concerning other matters to be determined by the ISA, the regulator of the payment initiation service provider, and in the case of an insurer that holds a payment service license - the Commissioner of Capital Market Insurance and Savings;

(c) If the Chairperson of the ISA, the regulator of the payment initiation service provider, or in the case of an insurer that is a holder of a payment services license - the Commissioner of Capital Market Insurance and Savings, finds that a payment company or payment initiation service provider failed to define procedures in accordance with subsection (a) or that the procedures defined are inadequate for the operations of a payment company or payment initiation service provider, or that it failed to take steps to ensure the implementation of said procedures or to allocate resources for that purpose, the provisions of Sections 7(a)(5) or 20(a)(3) will apply.

A large-volume acquirer

26. (a) A large-volume acquirer will not refuse on unreasonable grounds to enter into an agreement with a payment instrument issuer for the purpose of acquiring transactions through payment instruments issued by said issuer. For this purpose – imposing unreasonable conditions by an acquirer on an agreement with an issuer, among other things, will be considered a refusal on unreasonable grounds. For the purpose of this section, “issuer” includes a holder of a payment company license of systemic financial importance issued in accordance with Section 36K of the Banking Law (Licensing).

(b) The Minister, at the suggestion of in consultation with the ISA, and in consultation with the Commissioner of Capital Market Insurance and Savings, the Supervisor of Banks, and the Competition Commissioner, may exempt a large-volume acquirer from the provisions of subsection (a) if the Minister believes that the application of the provisions of said section to said acquirer may adversely affect competition in the field of acquiring transactions through payment instruments, such that the benefit of applying the

provisions to ensure competition in the field of payment instrument issuance will be smaller than said harm, taking into consideration the interests of customers or payees.

- Large-volume issuer 27. (a) A large-scale issuer will not refuse on unreasonable grounds to enter into an agreement with an acquirer to perform fourth-party acquiring of payment instruments that the issuer issued. For this purpose, imposing unreasonable conditions by the issuer on an agreement with an acquirer will be considered refusal on unreasonable grounds. For this purpose, “acquirer” includes a holder of a payment company license of systemic financial importance that was issued in accordance with Section 36K of the Banking Law (Licensing).
- (b) The Minister, at the suggestion of or in consultation with the ISA, and in consultation with the Commissioner of Capital Market Insurance, the Supervisor of Banks, and the Competition Commissioner, may exempt a large-volume issuer from the provisions of subsection (a) if the Minister believes that the application of the provisions of said subsection to the issuer may adversely affect competition in the field of issuing of payment instruments, as a result of which the benefit of imposing the provisions in order to ensure competition in the field of acquiring payment transactions performed through payment instruments will be smaller than said harm, and taking into consideration the interests of customers or payees.
- Safeguarding customers’ money 28. (a) A payment company that manages payment accounts, issues payment instruments, or acquires payment transactions will hold the money it receives from or for its customers in a separate trust account administered by a managing entity, in favor of its customers.
- (b) Notwithstanding the provisions of subsection (a), the ISA — and with respect to an insurer that holds a payment service license, the Commissioner of Capital Market Insurance and Savings — may permit a payment company not to hold in a trust account money that was received from or for its customers for the purpose of providing payment services, only if the payment company provided insurance or a guarantee in the amount of the total funds received from or for its customers in a manner that secures the customers’ money in entirety, to the satisfaction of the ISA or the Commissioner of Capital Market Insurance and Savings, as relevant, including, for example, in the

event that the payment company decides on voluntary liquidation or liquidation proceedings are commenced against it.

- (c) Without detracting from the provisions of subsections (a) and (b), the Minister may determine that a payment company may elect not to hold in a trust account the money received from or for its customers for the purpose of payment services, and not provide a guarantee or insurance as stated in subsection (b), if other conditions are met to secure all the customer's money separately from the funds of the payment company, including in the event that the payment company decided on voluntary liquidation or liquidation proceedings were commenced against it.
- (d) Money received from or for customers of a payment company for the purpose of payment services will not be used to grant credit.
- (e) Without detracting from the provisions of Section 14 of the Payment Services Law, and notwithstanding the provisions of subsection (a), a payment company may collect fees from the funds managed for its customers for the service that it renders.
- (f) Funds deposited and managed in a trust account by a payment company, as described above in subsection (a) or in accordance with the conditions under subsections (b) or (c), will not be considered as acceptance of monetary deposits, as this term is defined in Section 21 of the Banking Law (Licensing).
- (g) The ISA — and with respect to an insurer that holds a payment services license, the Commissioner of Capital Market Insurance and Savings — may issue directives on the manner in which customers' money is safeguarded in accordance with this section and additional conditions to secure all customers' money.

Special provisions, reporting requirement, and prohibition against misleading the

- 29. (a) A holder of a license or authorization to engage in payment initiation, issued by the ISA, will meet requirements related to insurance, minimum capital or other collateral security, as determined by the ISA in directives, and the ISA may define various requirements for a license holder or a holder of an authorization issued by the ISA to engage in payment initiation that are a function of the type of license, type of payment service provided by a payment company, or the scope of service provided.

ISA

- (b) A holder of a license or authorization to engage in payment initiation, issued by the ISA, will furnish to the ISA in writing, at the demand of the ISA or an employee authorized for this purpose, within the date defined in the demand, explanations, details, information, and documents in connection with the information contained in a report, information, or notice that was furnished under this law.
- (c) An applicant of a license or authorization in accordance with this Law and a holder of a license or authorization to engage in payment initiation issued by the ISA, will include no misleading information in any application, information, report, notice, or other information furnished to the ISA. For this purpose, “misleading information” includes anything that might mislead the ISA and any omission that may be misleading.
- (e) A document that an applicant of a license or authorization in accordance with this Law or a holder of a license or authorization to engage in payment initiation is required to submit to the ISA will be submitted in the manner determined in accordance with Chapter Seven “A” of the Securities Law.
- (f) For the purpose of this section “a holder of a license” does not include an insurer that was issued a payment service license in accordance with this Law; With respect to said insurer and the Commissioner of Capital Market Insurance and Savings, the provisions of subsections (a) to (d) will apply with the necessary changes.

Issuing directives

- 30. The ISA, the payment initiation service provider regulator, and in the case of an insurer that holds a payment services license – the Commissioner of Capital Market Insurance and Savings, may issue directives that apply to a payment company and a payment initiation service provider to perform their obligations under this Law, and may issue directives on these matters, and may issue directives for different types and volumes of activity:
 - (1) The customer’s authentication by a payment company or a payment initiation service provider;
 - (2) Handling and documenting customer complaints;
 - (3) Retention of information;

- (4) Emergency preparedness and business continuity;
 - (5) Directives in the matter of outsourcing;
 - (6) Types of fees that a payment service provider or a payment initiation service provider may charge, their amount and scope;
 - (7) Directives in the matter of required professional liability insurance coverage.
 - (8) Directives to a payment service provider in the matter of granting credit that is ancillary to a payment transaction, and currency conversation that is ancillary to a payment transaction, and the conditions for performing such transactions.
- (b) The directives that the Minister or a regulator may issue in accordance with this Law may include requirements and provisions that vary for each type of entity, each type of payment service provided by the payment company, or the scope of said services.

Exemption of a foreign payment service provider from the provisions of this Chapter 31. The ISA may exempt and stipulate conditions for such exemption from the provisions of Sections 24, 25, and 29(a), in entirety or in part, a holder of a license (excluding an insurer) or authorization to engage in payment initiation issued by the ISA that is a foreign payment service provider subject to the provisions of foreign law as stated in the Third Addendum, if the ISA believes that such exemption is warranted due to the application of said provisions of foreign law, while protecting the customers' interests.

Chapter D: Payment Initiation and Issue of Payment Orders

Definitions 32. In this Chapter –

- (1) “the regulator of payment service providers that manage payment accounts” “the regulator of payment initiation service providers” and “the regulator–of payment service providers that issue payment orders” - all are regulators as these term is defined in Section 1.
- (2) “payment service providers that manage payment accounts for payers” - a payment service provider that manages payment accounts for payers, excluding whoever is exempt from a licensing requirement under Section 3(a)(6).

- Requirement to give access to a payer’s payment account
33. (a) A payment service provider that manages a payment account for a payer will give a payment initiation service provider access to the payer’s payment account for the purpose of writing payment orders, through the payment order interface system.
- (b) A payment service provider that manages a payment account for a payer will give other service providers that issue payment orders access to the payer’s payment account for the purpose of issuing payment orders, through the payment order interface system, in accordance with the access permission granted by the payer.
- (c) A payment service provider that manages a payment account for a payer will not stipulate that access in accordance with this section is conditional upon an agreement between it and the payment initiation service provider or the payment service provider that issues payment orders, as relevant.
- Limits to the requirement to grant access
34. (a) Notwithstanding the provisions of Section 33, a payment service provider that manages payment accounts may refuse to grant a payment initiation service provider or a payment service provider that issues payment orders, as relevant, access to the payer’s payment account, if any of the following obtain:
- (1) There is a genuine concern that access to the account is not authorized;
- (2) Granting such access is prohibited by law;
- (3) The access permit was granted to a payment service provider that issues payment orders by one account holder in a jointly and severally held account who is no longer a holder of the account; For this purpose, “jointly and severally held account” means a joint account in which, according to the agreement with the payment service provider that manages the payment account, each account holder may issue orders in the account without the consent of the other account holder.
- (4) Other circumstances defined by the Minister, in consultation with the regulator of payment service providers that manage payment accounts, the regulator of payment service providers that issue payment orders, and the regulator of payment

initiation service providers, that justify refusal to grant said access in order to protect the customers' interests.

- (b) If a payment service provider that manages payment accounts refuses to grant access to a payer's payment account in accordance with the provisions of subsection (a), the payment service provider that manages the payment account will notify the payment initiation service provider or the payment service provider that issues payment orders, as relevant, as soon as possible, unless the disclosure of said information is prohibited by law, and will also notify the regulator of the payment service provider that manages the payment account, together with the reasons for said refusal to grant access; The payment service provider that manages the payment account will document said refusal to grant access and the reasons for it and will retain the documentation.
- (c) If the impediment to said refusal to grant access in subsection (a) was removed, the payment service provider that manages the payment account will notify the payment initiation service provider or payment service provider that issues payment orders, as relevant, as soon as possible, and will grant the payment initiation service provider or payment service provider that issues payment orders access to the payer's payment account in accordance with the provisions of Section 33, as soon as possible.
- (d) The regulator of the payment service provider that manages payment accounts will issue directives in the matter of delivery of notices from payment service providers that manage payment accounts in accordance with subsections (b) and (c), and may issue directives in the matter of the documentation and its retention as stated in subsection (b).

Authentication of payment initiation service providers and payment service providers that 35. A payment service provider that manages payment accounts will give a payment initiation service provider or a payment service provider that issues payment orders, as relevant, access to a payer's payment account for the purpose of writing payment orders or issuing payment orders in accordance with Section 33 and the access permit granted by the payer, only if the payment initiation service provider or the payment service provider that issues payment orders, as relevant, identified themselves in accordance with the provisions determined by the regulator of the payment

issues
payment
orders by
payment
account
managers

service provider that manages payment accounts.

Prohibition
against
discrimination
and
prohibition to
charge fees by
the payment
account
manager

36. (a) A payment service provider that manages payment accounts will execute a payment order written by a payment initiation service provider or issued by a payment service provider that issues payment orders, as relevant, in such manner and on such terms as payment orders issued directly by the customer are executed.
- (b) A payment service provider that manages payment accounts will not collect fees from a payment initiation service provider or a payment service provider that issues payment orders, as relevant, either directly or indirectly, for granting access to a payer's payment account, for the purpose of writing or issuing a payment order, or for granting or revoking an access permit.

Directives of
the regulator
of payment
service
providers that
manage
payment
accounts

37. For the purpose of the provisions of this Chapter, and in addition to the powers invested therein by this Law, the regulator of payment service providers that manages payment accounts will, with the consent of the regulator of payment initiation service providers or the regulator of payment service providers that issue payment orders, will issue directives on the following matters:
- (1) The manner in which access is granted to a payer's payment account by a payment service provider that manages payment accounts to a payment initiation service provider or a payment service provider that issues payment orders, as relevant, through the payment order interface system, including provisions regarding privacy protection, information security, a secured technological mechanism, and document requirements;

- (2) The manner in which the identity of a payment initiation service provider or a payment service provider that issues payment orders, as relevant, is authenticated by service providers that manage payment accounts;
- (3) The requirements that will apply to a payment service provider that manages payment accounts with respect to the standard of service that it provides to payment initiation service providers or payment service providers that issue payment orders, as relevant.

Chapter E: The Roles and Powers of the ISA

Special provisions in the matter of the ISA's powers with respect to holders of a license or authorization issued or granted by the ISA

- 38. (a) In complying with its requirements under this law, a license holder and a holder of an authorization issued or granted by the ISA will be subject to the supervision of the ISA.
- (b) (1) For the purpose of supervision as stated in subsection (a), the ISA may issue directives related to the modes of operation of holders of a license or authorization issued or granted by the ISA, and the senior officers and employees thereof, all in order to ensure the proper management of said license or authorization holders, and to protect the interests of their customers. These directives may be issued to all holders or a license or authorization issued or granted by the ISA or to a specific class thereof.
- (2) Directives issued in accordance with paragraph (1) are not required to be published in Reshumot, however the ISA will publish in Reshumot a notice of the issue of said directives and their effect dates. Such directives and any revision thereof will be made available to perusal by the public at ISA offices and

will be published on the ISA website, and the ISA may order additional modes of publication.

- (c) The powers under Sections 52QQ, 56A, 56A2, 56B, 56B1, 56C, 56C1, 56D, and 56E of the Securities Law will be vested in the ISA for the purpose of supervision of the execution of the directives issued under this Law, an administrative proceeding related to said directives, or enforcement of the provisions of the Law with respect to an offense or violation, all as relevant and with the necessary changes. For this purpose -

“violation” – as defined in Section 42;

“offense” – any of the following

- (1) An offense under this law, excluding an offense under Section 46(a) committed by an insurer or an entity that is subject to an authorization requirement under Section 2;
- (2) An offense under the Payment Services Law by a holder of a payment initiation license or an authorization issued or granted by the ISA;
- (3) An offense under Sections 284, 290, 291, 415, 423, 424, 424A, and 425 of the Penal Law, committed in connection with an offense under paragraph (1) or (2);
- (4) An offense under Sections 3 and 4 of the Prohibition Against Money Laundering Law 5760-2000,¹⁵ committed in connection with an offense under paragraph (1), (2), or (3);
- (5) An offense under Sections 240, 242, 244, 245, or 246 of the Penal Law, committed in connection with an investigation or judicial proceeding due to an offense under paragraph (1) to (4);

Service of
documents by
the ISA

39. The provisions issued under Chapter Seven “B” of the Securities Law, with the necessary changes, will apply to a notice, directive, demand, and any other document that the ISA or an ISA employee authorized for this purpose may serve in accordance with this Law to a holder of a license or authorization issued or granted by the ISA or to whoever submitted an application for a license or authorization issued or granted by the ISA.

¹⁵ Book of Laws 5760, p. 293; 5778, p. 440.

Chapter E: Monetary Fines

- Defining the base amount 40. In this Chapter, “the base amount” is the amount listed in the Fourth Addendum.
- Monetary fines 41. (a) If a holder of a payment initiation license or payment initiation authorization issued or granted by the ISA violated a provision of this Law as stated in Part A of the Fifth Addendum, the ISA may impose a monetary fine on them, in accordance with the provisions of this Chapter, in the Base Amount, and if they violated a provision of this Law stated in Part B of said Addendum – the ISA may impose thereon a monetary fine, in accordance with the provisions of this Chapter, in an amount equal to double the Base Amount.
- (b) The ISA may impose a monetary fine, in accordance with the provisions of this Chapter, in the Base Amount, on a holder of a control permit that, in violation of the provisions of Section 15(a)(2), failed to notify the ISA of a circumstance listed in Section 27(c)(1) to (6) of the Investment Advice Law with respect to itself or to a senior officer thereof.
- (c) The directives issued under Sections 52P to 52CC and Section 56H of the Securities Law, with the necessary changes, will apply to a monetary fine under this section.

Chapter G: Imposing Administrative Means of Enforcement by the Administrative Enforcement Committee

In this chapter –

Definitions for
Chapter G

“The Committee” - the Administrative Enforcement Committee appointed under Section 52FF(a) of the Securities Law.

“Violation” – a violation of the provisions of this law that is listed in the Sixth Addendum.

Powers of the
Administrative
Enforcement
Committee

43. (a) If a person committed a violation, the provisions of Chapter H4 of the Securities Law that apply to a violator and a violation of a provision listed in Part C of the Seventh Addendum of said law, will apply to the violator and the violation, with the necessary changes, however the Committee may impose a monetary fine on a violator in accordance with this Chapter, in accordance with the provisions of Section 52AAA(a) of the Securities Law, in the maximum amount stated below, as relevant:

- (1) With respect to a violator that is an individual employee of a payment initiator or a holder of an authorization to engage in payment initiation and is not a senior officer thereof – the maximum amount of NIS _____;
- (2) With respect to a violator that is another individual in a payment initiator or a holder of an authorization to engage in payment initiation – the maximum amount of NIS _____;
- (3) With respect to a violator that is a payment initiator or a holder of an authorization to engage in payment initiation – the maximum amount of NIS _____;
- (4) With respect to a violator who is an individual employee of a payment company and is not a senior officer thereof – the maximum amount of NIS _____;
- (5) With respect to a violator who is another individual in a payment company – the maximum amount of NIS _____;
- (6) With respect to a violator that is a payment company – the maximum amount of NIS _____;

Authority of
the
Chairperson of
the ISA or the
District
Attorney to
enter into a
conditional
settlement to
stay or refrain

44. (a) The power granted to the Chairperson of the ISA and to the District Attorney to enter into a conditional settlement to refrain from initiating proceedings or to suspend proceedings, as relevant, pursuant to the provisions of Chapter II of the Securities Law will be granted to them with respect to a violation or offense, and the provisions of said chapter will apply for this purpose, with the necessary changes.

from initiating proceedings

- (b) In this section, “proceedings” – an inquiry proceeding of a violation or an administrative enforcement proceeding in accordance with Chapter H4 of the Securities Law as applied in Section 43, or a criminal investigation under Section 56C of the Securities Law as applied in Section 37, as relevant.

Prohibition of indemnity and insurance

- 45. The provisions of Section 56H of the Securities Law will apply to a proceeding in accordance with this Chapter.

Chapter G: Penalties

- 46. A person who commits one of the following is subject to two years’ imprisonment or a fine two and a half the times of amount of the fine defined in Section 61(a)(4) of the Penal Law, and if it is a corporation – twelve and a half times the fine stated in that section:
 - (1) They provided payment services or payment initiation services without holding an appropriate license or authorization, as relevant, or in violation of the conditions of the license or authorization, in violation of the provisions of Sections 2, 6(b), and 19.
 - (2) Included misleading information in a license application, a notice to the ISA, or in any other information or document furnished to the ISA, in violation of the provisions of Section 29(d).

Chapter I: Miscellaneous Provisions

Fees

- 47. The Minister, at the suggestion of or in consultation with the ISA, and with the approval of the Knesset Finance Committee, may determine fees that will apply to the submission of a license application under Section 5, an application for authorization in accordance with Section 18, and on a payment initiator, a holder of an authorization to provide payment initiation services granted by the ISA, and a payment company, and may issue directives concerning interest and linkage differences payable due to a delay in payment of the fees determined in accordance with this section,

and concerning the application of the Taxes Ordinance (Collection) to the collection of said fees and to interest and linkage differences.

- Revisions to the Addenda
48. (a) The Minister, at the suggestion of or in consultation with the regulator of payment service providers that management payment accounts, as defined in Section 32, may, by issuing an order, revise the First Addendum and may define in said order the features of the system that will serve all or a specific class of payment service providers that manage payment accounts for payers, as defined in Section 32; However, with respect to payment service providers that manage payment accounts for payers and are under the supervision of the Bank of Israel, said order will be determined in consultation with the Governor, and with respect to a system that is not being used on the date of the order by any of the payment service providers that manage payment accounts for payers and are so supervised — with the consent of the Governor.
- (b) The Minister may, by order, at the suggestion of or in consultation with the ISA, revise the Second Addendum, the Third Addendum, the Fourth Addendum, the Fifth Addendum, and the Sixth Addendum.

Chapter I: Indirect Amendments

- Amendments to the Securities Law
49. In the Securities Law -

- (1) In Section 1 -
- (a) After the definition “Stock Exchange member” insert:
- ““Payment company” – as this term is defined in the Regulation of Payment Services Law, excluding an insurer, as this term is defined in the Supervision of Insurance Law, that is a holder of a payment service license as stated in Section 2(a)(2) of the Regulation of Payment Services Law;
- “Payment initiator” – as this term is defined in the Regulation of

Payment Services Law;”

(b) After the definition of “the Arrests Law,” insert:

““The Regulation of Payment Services Law” – the Regulation of Payment Services Law 5782-2022;”

(c) In the definition of a “supervised entity,” after item (10) insert:

“(10A) a payment company;

(10b) a payment initiator;”;

(2) In Section 52EE, after paragraph (3), insert:

“(4) a violation as defined in Section 41 of the Regulation of Payment Services Law;”

(3) In Section 52DDD, after paragraph (7) insert:

“(8) a payment company;”;

(9) a payment initiator.”;

(4) In Section 52EEE, after “issued to a violator under the Joint Investments Law,” insert: “a payment initiation license or a payment service license or a control permit in a payment initiator or a payment company, which was issued to the violator under the Regulation of Payment Services Law;”;

(5) In Section 52MMM, after “an offense as defined in Section 29 of the Investment Advice Law,” insert: “an offense as defined in Section 42 of the Regulation of Payment Services Law;”;

(6) In Section 56E(b), after “to the Supervisor of Banks” insert: “to the Governor.”

Amendment 50.
of the
Supervision
of Regulated
Financial
Services Law

In The Supervision of Regulated Financial Services Law -

(1) In Section 11A, in the definition of a “service involving a financial asset,” after the words “that does not involve the granting of credit” insert: “and that does not constitute a payment service as this term is

defined in the Regulation of Payment Services Law 5782-2022”;

(2) In Section 13(a), after paragraph 17 insert:

“(18) a payment company, with respect to granting credit or currency conversion that is ancillary to a payment transaction; For this purpose

–

“payment company” - as this term is defined in the Regulation of Payment Services Law 5782-2022, excluding an insurer that holds a payment service license;

“granting credit that is ancillary to a payment transaction” – as this term is defined in Regulation of Payment Services Law 5782-2022.”;

(3) Chapter C2 – repealed.

(4) Article C of Chapter F – repealed.

(5) Sections 44A and 44B – repealed.

(6) In Section 71 in the definition of “the Base Amount,” delete subsection (1)(d).

(7) In Section 72(b), delete paragraphs (17C) and (24A).

Amendment 51. In the Banking Law (Licensing) –

to the

Banking Law

(Licensing)

(1) In Section 11B, in lieu of the definition of “acquirer” and “acquiring,” insert:

“Acquirer” – whoever is engaged in acquiring of payment card transactions;

“Acquiring” of payment card transactions - payment to a supplier of the consideration for assets that a customer purchased from that supplier using a payment card, against receipt of the consideration for the assets from the payment card issuer, and if the said payment to a supplier is made by the issuer – against receipt of the consideration for the assets directly from the customer;”;

(2) In lieu of Chapter D2 insert:

“Chapter D2: A Payment Company of Systemic Financial importance

Definitions

36.I In this Chapter –

“payment instrument,” “payment order,” “issue” of a payment instrument, “payment account,” “customer,” “beneficiary,” “payer,” “acquiring” of a payment transaction, “payment transaction,” and “payment service” - as these terms are defined in the Payment Services Law;

“Company” – as this term is defined in the Companies Law;

“Payment company of systemic financial importance” – any of the following:

- (1) An auxiliary corporation that acquires payment transactions;
- (2) An entity that was an auxiliary corporation on the eve of the commencement of the Increasing Competition and Reducing Concentration in the Banking Market in Israel Law (Legislative Amendments) 5777-2017 and was engaged in acquiring payment transactions;
- (3) An entity that the Minister of Finance designated in accordance with the provisions of Section 3(d) of the Regulation of Payment Services Law;

“Regulation of Payment Services Law” – the Regulation of Payment Services Law 5782-2022;

“Payment Services Law” – the Payment Services Law 5779-2019;

“payment card” – as this term is defined in Section 11B;

“acquirer” and “issuer” – a payment service provider, as this term is defined in the Regulation of Payment Services Law, that acquires payment transactions or issues payment instruments, as relevant;

“Fourth-party Acquiring” of transactions using payment instruments – acquiring performed by whoever is not the issuer of the payment instrument used to execute the transaction;

“a license of a payment company of systemic financial importance” – a license to provide payment services issued to a payment company of systemic economic important;

Licensing requirement 36J.

- (a) A payment company of systemic financial importance will not provide payment services without having received a license for that in accordance with Section 36K;
- (b) The Minister of Finance, in consultation with the Chairperson of the ISA and with the consent of the Governor, may order that whoever must obtain a license of a payment company of systemic financial importance in accordance with the provisions of subsection (a) is required to obtain a payment services license in accordance with the provisions of Section 2 of the Regulation of Payment Services Law in lieu of a license in accordance with the provisions of this chapter, if the Minister finds that it is necessary in order to promote competition, or maintain the uniformity of the provisions that apply to the various entities, taking into account the stability of the financial system and its normal operations;

Licensing of a
payment company
of systemic
financial
importance

36K.

- (a) The Governor may, at their discretion, and after consulting with the License Committee, issue a license to a payment company of systemic financial importance that meets the conditions listed in this section.
- (b) The Governor will issue a license in accordance with the provisions of subsection (a) only if the issued and paid-in share capital of the license applicant is not less than the amount determined by the Governor, by order, with the approval of the Minister of Finance and the Knesset Finance Committee; and the provisions of Section 7(c) will apply with the necessary changes.
- (c) The provisions of Sections 6 and 8, with the necessary changes, will apply to a license of a payment company of systemic financial importance.

- (d) A holder of a license of payment company of systemic financial importance whose license was revoked is, for the purpose of the Ordinance, deemed a holder of a license of payment company of systemic financial importance for a period of one year from the revocation date, and the provisions of Section 9(b) will apply for this purpose, with the necessary changes.

Control and means of control in a payment company of systemic financial importance

- 36L. The provisions of Sections 34, 34A, 35, 35B(a), (b), (c), (e) and (f) and 36 will apply, with the necessary changes, to a holder of a license of payment company of systemic financial importance, as if it were a banking corporation; However, the Governor may, in accordance with Section 35B(b), determine an amount that is different from the amount that applies to a banking corporation in accordance with said section, all subject to the provisions of that section.

Businesses permitted to a payment company of systemic financial importance

- 36M (a) A holder of a license of a payment company of systemic financial importance may provide payment services, subject to the provisions of the law, and may also engage in the following business activities:
 - (1) Granting credit of the type determined by the Governor;
 - (2) Currency conversion that is ancillary to a payment transaction;
 - (3) Account information services, as this term is defined in the Account Information Services Law 5782-2021;
 - (4) Any other transaction that is ancillary to a business stated in paragraphs (1)-(3), with the Supervisor's approval.
- (b) Notwithstanding the provisions of subsection (a), a holder of a license of a payment company of systemic financial importance may engage in additional financial business activities if the Supervisor finds that they are not expected to adversely affect their customers' interests or the license holder's ability to fulfill

its legal obligations, and do not create a tangible concern of conflict of interest in its activities.

- (c) The Governor may issue directives to a holder of a license of a payment company of systemic financial importance in the matter of splitting the activities that are unrelated to the payment service operations in their license into separate corporations, only if the Governor gave the license holder an opportunity to present its arguments before the Governor or any party authorized by the Governor to do so.
- (d) A holder of a license of a payment company of systemic financial importance will control a corporation or be an interested party in a corporation only if it satisfies both of the following:
 - (1) The corporation is engaged in business activities that are permitted to a holder of a license of a payment company of systemic financial importance as stated in subsection (a) or (b);
 - (2) It received prior written approval by the Supervisor that includes approval of the corporation's areas of business.

Large-volume acquirer

36N. (a) In this section, a "large-volume acquirer" -

- (1) A holder of a license of a payment company of systemic financial importance that acquired 20% or more of the payment card transactions acquired in Israel by acquirers, or of the total amount of consideration paid by acquirers to payees in Israel, in the year preceding the date of the directives issued by the Supervisor under subsection (b); To calculate said amounts, the Supervisor may consider the following, in entirety or in part, as part of the acquirer:
 - (a) A corporation in which a holder of a license of a payment company of systemic financial importance is an interested party;
 - (b) A corporation that controls a holder of a license of

payment company of systemic financial importance

- (c) A corporation whose interested party controls a holder of a license of a payment company of systemic financial importance is an interested party;
- (2) A holder of a license of a payment company of systemic financial importance that acquires transactions made through the type of payment instrument determined by the Minister, in consultation with the Governor, the ISA, and the Competition Commissioner, for considerations related to competition in the financial system, due to the percentage of transactions made through payment instruments acquired in Israel, or due to the total consideration that it paid to suppliers in Israel, in the preceding calendar year, where the percentage will be determined by the Minister as above; To calculate said amounts, the Minister, in consultation with the Governor, the ISA, and the Competition Commissioner, may instruct that the entities listed in paragraphs (1)-(3) in subsection (a), in entirety or in part, will be considered part of the holder of a license of a payment company of systemic financial importance, if the Minister believes that this is necessary to ensure competition in the field of acquiring transactions through payment instruments or to protect the interests of customers or payees.
For the purpose of this definition – “acquirers” includes a payment company that acquirers transactions and whoever is engaged in acquiring and is exempt from a license under this Law or under the Regulation of Payment Services Law.
- (b) A large-volume acquirer will not refuse on unreasonable grounds to enter into an agreement with an issuer for the purpose of acquiring transactions through payment instruments issued by said issuer. For this purpose -
 - (1) Imposing unreasonable conditions by an acquirer on an agreement with an issuer, among other things, will be considered a refusal on unreasonable grounds.

- (2) An acquirer's refusal to enter into an agreement with an issuer that is not subject to the statutory supervision of the Supervisor or the ISA, will be considered a refusal on reasonable grounds.

Large-volume issuer

36O. (a) In this section, a "large-volume issuer" -

- (1) An issuer that is a banking corporation or an auxiliary corporation or a holder of a license of a payment company of systemic financial importance, that issued 10% or more of the number of payment cards in effect that were issued in Israel, or such an issuer that issued payment cards that were used to make at least 10% of the total amount of the transactions made in Israel through payment cards issued in Israel in the year preceding the year in which the Supervisor published the list of issuers in accordance with subsection (d) and the Supervisor notified it in accordance with said subsection (d); To calculate said amounts, the Minister of Finance, in consultation with the Supervisor and the Competition Commissioner, may instruct that the following entities, in entirety or in part, will be considered as part of the issuer, if the Minister believes that this is necessary to ensure competition in the field of acquiring transactions through payment cards or to protect the interests of the customers or payees.
 - (a) A corporation in which the issuer is an interested party;
 - (b) A corporation that controls the issuer;
 - (c) A corporation whose interested party controls the issuer.
- (2) An issuer that is a banking corporation or an auxiliary corporation or a holder of a license of a payment company of systemic financial importance, that issued the type of payment card determined by the Minister at the suggestion of or in consultation with the ISA and in

consultation with the Governor and the Competition Commissioner, for considerations related to competition in the financial system, due to the percentage of payment instruments issued by the issuer of the total number of similar payment instruments issued in Israel, or due to the percentage of transactions made through the payment instruments issued by the issuer of the total amount of transactions made in Israel through a specific type of payment instruments issued in Israel in the preceding calendar year, in such percentage as the Minister determines; To calculate said amounts, the Minister, at the suggestion of or in consultation with the ISA, and in consultation with the Governor and the Competition Commissioner, may instruct that the entities listed in paragraphs (a)-(c) in subsection (1), in entirety or in part, will be considered part of the issuer, if the Minister believes that this is necessary to ensure competition in the field of acquiring transactions performed through payment instruments or to protect the interests of the customers or payees.

For the purpose of this definition, “payment cards issued in Israel” - includes through whoever is subject to or exempt from a licensing requirement under the Regulation of Payment Services Law.

- (b) A large-volume issuer will not refuse on unreasonable grounds to enter into an agreement with an acquirer for the purpose of performing fourth-party acquiring of transactions performed through the payment instruments that the issuer issued. For this purpose, imposing unreasonable conditions by the issuer on an agreement with an acquirer will be considered refusal on unreasonable grounds.
- (c) The Minister of Finance, in consultation with the Supervisor, the Chairperson of the ISA, and the Competition Commissioner, may exempt a large-volume issuer from the provisions of subsection (b) if they believe that the imposition of the provisions of the said section on said issuer may adversely affect competition in the field of issuing payment

instruments such that the benefit of applying the provisions to ensure competition in the field of acquiring payment transactions will be smaller than said harm, and taking into consideration the interests of customers or the suppliers.

- (d) The Supervisor will publish a list of large-volume issuers on the website of the Bank of Israel, and will revise this list as necessary by the end of the first quarter of each year according to the figures of the preceding calendar year; The Supervisor will give notice to a large-volume issuer that is added to the list and to an issuer that was removed from the list.
- (e) Notwithstanding the provisions of Section 15A of the Ordinance, the Supervisor may disclose information or show a document to the Minister of Finance, the Chairperson of the ISA, or a representative of these, only if the Supervisor finds that the disclosure of the information or document is required by the Minister or the ISA Chairperson in order to fulfill their duties in accordance with the provisions of this section. A person will not disclose information and will show a document that was furnished to them in accordance with the provisions of this section; Whoever violates the provisions of this subsection is subject to imprisonment of one year or a fine as stated in Section 15A(c) of the Ordinance.”;

- (3) In Section 50, in lieu of “acquirer” insert “a holder of a license of payment company of systemic financial importance” throughout.

Amendment 52.
to the
Banking Law
(Service to
Customer)

In The Banking Law (Service to Customer) 5741-1981 –

- (1) In Section 1 -
 - (a) In the definition “banking corporation,” in lieu of “and an acquirer as this term is defined in Section 36I of said law” insert “a holder of a license of payment company of systemic financial importance” issued in accordance with Section 36K of said law.
 - (b) In the definition “service,” delete “within the scope of its activity as defined in Chapter Three of the Banking Law

(Licensing) 5741-1981;

Amendment 53. In the Payment Systems Law -
to the
Payment
Systems Law

(1) In Section 1 -

(a) After the words “in this law” insert:

“a holder of a deposit and credit service license” – a holder of a license to provide deposit and credit services, as this term is defined in the Supervision of Regulated Financial Services Law;”;

(b) After the definition “payment order” insert:

“The Commissioner of Capital Market Insurance and Savings” - The Commissioner of Capital Market Insurance and Savings appointed in accordance with Section 2 of the Supervision of Financial Services Law (Insurance) 5741-1981;

“Supervisor of the Banks” - as this term is defined in Section 5 of the Banking Ordinance;”

(c) After the definition of “the Governor” insert:

“Payment company” – as this term is defined in the Regulation of Payment Services Law, which manages payment accounts, issues payment instruments, or acquires payment orders, as these terms as defined in the Regulation of Payment Services Law.

(d) After the definition “the Companies Law” insert:

“Regulation of Payment Services Law” – the Regulation of Payment Services Law 5782-2022;

“Supervision of Regulated Financial Services Law” – the Supervision of Financial Services Law (Regulated Financial Services) 5776-2016;”;

(e) In lieu of the definition of “participant” in a payment system, insert:

“Participant” in a payment system – as this term is defined in

the system rules;”

(f) After the definition of “participant” insert:

“Payment service provider” – any of the following, as relevant:

(1) A holder of a deposit and credit service license;

(2) A payment company;

“Israel Securities Authority” – as this term is defined in Section 2 of the Securities Law;”;

(2) In Section 8, at the end of paragraph (1)(a) insert:

(e) “For this purpose, the requirements of fairness will be considered requirements that satisfy all the following, among others:

(1) Requirements that enable a payment service provider to efficiently connect to and participate in a payment system;

(2) Requirements that do not discriminate between system participants or between potential system participants that share similar features; Connectivity requirements may vary by type of participation in a payment system or any other relevant difference between system participants or applicants that wish to participate in a system.

(3) After Section 8, insert:

“Restrictions on providing payment services	8A	An operator of a controlled payment system will not provide payment services, as this term is defined in Section 1 of the Regulation of Payment Services Law.
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Access to payment systems and account management	8B	(a) An operator of a controlled system, excluding a designated controlled system, will not refuse to permit a payment service provider to participate in the system on unreasonable grounds; For this purpose, imposing unreasonable conditions on permitting participation in the system will be considered a refusal on unreasonable grounds.
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(b) A participant in a designated controlled system that permits a holder of a payment service provider to

participate through it in that system will not refuse to provide this service on unreasonable grounds and will not impose unreasonable conditions for providing this service to another payment services license holder.”

(4) In Section 11, in subsection (a1) -

- (a) At the beginning of the subsection, in lieu of “with regard to a holder of a license to provide deposit and credit services and with regard to a holder of an issuing license” insert “with regard to payment service providers.”
- (b) In paragraph (1), in lieu of “with regard to the fulfillment of a controlled system operator’s obligation to formulate rules pursuant to Section 8(1)(a) related in any way to said license holders, shall be carried out with the consent of the Supervisor of Financial Service Providers” insert “with regard to the fulfillment of a controlled system operator’s obligation to formulate rules pursuant to Section 8(1)(a) related in any way to holders of deposit and credit services, shall be carried out in consultation with the Supervisor of Financial Service Providers, and with regard to a payment company – shall be carried out in consultation with the ISA insofar as it is supervised by it, and with regard to a payment company that is an insurer that holds a payment service license – shall be carried out in consultation with the Commissioner of Capital Market Insurance and Savings.”.
- (c) In paragraph (2) -
 - (1) In lieu of “holders of licenses” insert “payment service providers”;
 - (2) In lieu of “with the consent of the Supervisor of Financial Service Providers” insert “in consultation with the Supervisor of Financial Service Providers with regard to a holder of a deposit and credit service license, and in consultation with the ISA with regard to a payment company insofar as it is supervised by it, and in consultation with the Commissioner of Capital Market Insurance and Savings with regard to a payment company that is an insurer that holds a payment service

license.”.

(d) Delete the definitions “Supervision of Regulated Financial Services Law,” “issuer license” and “license to grant deposit and credit services.”

(5) In Section 19, after subsection (b), insert:

“(b1) Notwithstanding the provisions of subsection (a), the Governor or any party acting on their behalf may convey information that came into their possession under this law to the Supervisor of the Banks or to the Supervision of Financial Service Providers or to the Commissioner of Capital Market Insurance and Savings or to the ISA (hereinafter, “the transferee”) only if they find that the document or information is required by the transferee to performs its duties. The provisions of this subsection will not apply to any document or information concerning a payment system that is declared as a controlled system by the Governor in accordance with the provisions of Section 2(b).”;

(6) In Section 20(a), after paragraph (3), insert:

“(4) An operator of a controlled system that failed to comply with the conditions and requirements that apply to a system, in violation of the provisions of Section 8;

An operator of a controlled system that engaged in the

(5) provision of payment services, in violation of the provisions of Section 8A;

An operator of a controlled system that refused to allow a

(6) payment service provider to participate in a system for unreasonable grounds, in violation of the provisions of Section 8B(a).”.

Amendment 54. In the Payment Service Law 5779-2019 -
to the
Payment
Services Law

(1) In Section 1 -

(a) After the definition “the Postal Bank” insert:

““Payment initiator” and “payment company” – as these terms

are defined in the Regulation of Payment Services Law 5782-2022;”

- (b) In the definition “supervised financial entity,” insert the following after paragraph (6):
 - “(7) a payment initiator;
 - (8) a payment company;”;
- (c) In the definition “regulatory directives,” insert after paragraph (3):
 - “(4) with respect to the ISA and the Commissioner of Capital Market Insurance and Savings – directives issued under Section 30 of the Regulation of Payment Services Law;”
- (d) After the definition “the Consumer Protection Law” insert:
 - ““The Regulation of Payment Services Law” – the Regulation of Payment Services Law 5782-2022”;
- (e) In the definition of “a regulator,” insert the following after paragraph (3):
 - “(4) with respect to a payment initiator and a payment company that is not an insurer, as this term is defined in the Supervision of Insurance Law, that was issued a payment service license – the ISA;”
 - (5) With respect to a payment company that is an insurer, as this term is defined in the Supervision of Insurance Law, that was issued a payment service license – the Commissioner of Capital Market Insurance and Savings;”;
- (f) After the definition of a “beneficiary” insert:
 - “Commissioner of Capital Market Insurance and Savings” – the Commissioner of Capital Market Insurance and Savings appointed in accordance with Section 2 of the Supervision of Insurance Law;”;
- (g) In the definition “issuer license,” “license to operate a credit intermediation system,” “lender license” and “license to grant credit and deposit services” — delete “issuer license”;

- (h) After the definitions “issuer license,” “license to operate a credit intermediation system,” “lender license” and “license to grant credit and deposit services” insert:
 - ““Payment initiation license” and “payment company license” – as these terms are defined in the Regulation of Payment Services Law;”
- (i) After the definition “essential component” insert:
 - ““The Israel Securities Authority” – within the meaning of this term in Section 2 of The Securities Law 5728-1968;”
- (2) In Section 41 -
 - (a) In the definition of a “regulator”, after paragraph (3) insert:
 - “(4) with respect to a payment initiator and a payment company – the Israel Securities Authority’;
 - (b) In the definition of “the Base Amount”, after paragraph (4) insert:
 - “(4a) with respect to a payment service provider that is a payment initiator - NIS _____;
 - (4b) with respect to a payment service provider that is a payment company - NIS _____;
- (3) In Section 42(c), after the word “dealer” insert “payment initiator, payment company”;
- (4) In Section 43, after paragraph (3), insert:
 - “(4) with respect to a payment initiator and a payment company – the directives issued under Sections 52P to 52CC of the Securities Law, with the necessary changes;”
- (5) In Section 44, after paragraph (3) insert:
 - “(4) with respect to a payment initiator and a payment company – the directives issued under Sections 52P to 52CC of the Securities Law, with the necessary changes;”

Amendment

In the Wage Protection Law 5718-1958¹⁶ -

¹⁶ Book of Laws 5718, p. 86; 5788, p. 438.

to the Wage
Protection
Law

- (1) In Section 6(a) after “employment bureau established under Section 23 of the Employment Service Law 5719-1959” insert: “a payment company as this term is defined in the Regulation of Payment Services Law 5782-2022 or a holder of a payment company license of systemic financial significance in accordance with Section 36K of the Banking Law (Licensing) 5741-1981”;
- (2) In paragraph (3) of item (8) of the Addendum, insert at the end: “and if the payment is made through a payment company or a holder of a payment company license of systemic financial significance in accordance with Section 36K of the Banking Law (Licensing) 5741-1981– the payment account number and the details of said license holder.”.

Amendment
to the
Prohibition
on Money
Laundering
Law

In the Prohibition on Money Laundering Law 5760-2000¹⁷ -

- (1) In Section 1, after the definition “the Postal Bank” insert:
““Payment company” – as this term is defined in the Regulation of Payment Services Law 5782-2022, excluding an insurer, as this term is defined in the Supervision of Financial Services (Insurance) 5741-1981 that holds a payment service license as stated in Section 2(a)(2) of the Regulation of Payment Services Law 5782-2022;”
“Payment initiator” – as this term is defined in the Regulation of Payment Services 5282-2022;
- (2) In Section 11M(a)(2), after “a company that holds a trading platform license” insert: “a payment initiator, a payment company”.
- (3) In the Third Addendum, after item 1A, insert:
“1B. a holder of a payment services license.

¹⁷ Book of Laws 5760, p. 293; Book of Laws 5772, p. 366.

1C. a payment company.”

Chapter J: Commencement and Transitional Provisions

Effective Date	This Law will enter into force one year from the date of its publication or from the effective date of regulations and directives created under Sections 3(a)(6), 25(a), 29(a) and (b), 34(d), 35 and 37 of the Law, the later of these dates (above and below – “the effective date”).
Transitional provisions	<p>(a) Notwithstanding the provisions of Section 2, a corporation that was, on the eve of the effective date, engaged in providing payment services and submitted an application for a payment services license no more than three months after the effective date and received confirmation from the ISA that said application was filed, may continue its business even without a license as long as the ISA has not made a decision on its application.</p> <p>(b) Notwithstanding the provisions of Section 2, a corporation that provides payment services and which, on the eve of the effective date, held a lender license or a license to provide services involving financial assets, as this term is defined in the Supervision of Regulated Financial Services Law, may continue to engage in their business activities even though they do not hold a license issued in accordance with this Law until the elapse of 24 months from the effective date, only if they gave notice to the ISA in such format and manner and on such dates as the ISA instructs and they filed an application for a license in accordance with this Law before the elapse of 18 months from its effective date and received confirmation from the ISA that their application was filed.</p> <p>(c) Whoever was, on the eve of the effective date, a controlling shareholder of a company as stated in subsection (a) or an interested party in such company, and the circumstances stated in Section 16 occur, will be considered a holder of a permit under Section 12. Nothing in the provisions of this subsection detracts from the ISA’s authority to revoke a permit under Section 13 and to demand, in order to exercise said authority, any document that it requires to examine whether the conditions for revoking the permit obtain.</p>

First Addendum

(Features of a payment order interface system)

Second Addendum

(Services that will not be considered payment services)

- (1) A payment service provided by the government;
- (2) A payment service provided by the Bank of Israel;
- (3) A payment service provided to a payment system participant within its operations in the payment system;
- (4) A payment transaction made on the basis of a note, as this term is defined in the Bank Notes Ordinance [New Version];
- (5) A transfer of money from a payment account to a consideration account or from a consideration account to a payment account, if said accounts are managed by the same payment service provider for the same customer. For this purpose “consideration account” - an account designated for providing a financial service that is not a payment service, including buying, holding, or selling securities, as defined in the Securities Law 5728-1968, deposits, and purchase or sale of foreign currency;
- (6) A payment transaction in which money is transferred between payment service providers on their own behalf.
- (7) A payment service for the purpose of services involving securities.
- (8) A payment service for donations for which no consideration is received, through a merchant account.

Third Addendum

(Foreign law provisions in Section 23 and Section 31)

The laws of a EU member state that applies provisions in the matter of money laundering and terrorism financing in said state and implements one of the EU directives listed below, as amended from time to time:

- (1) Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market
- (2) Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2015 on the taking up, pursuit and prudential supervision of the business of electronic money institutions

Fourth Addendum

(Definition of the “Base Amount” in Section 40)

The Base Amount

1. With respect to a payment initiator or a holder of authorization to engage in payment initiation issued by the ISA - NIS _____;
2. With respect to a payment company - NIS _____;
3. With respect to a holder of a control permit - NIS _____;

Fifth Addendum

(Section 41(a))

Violations of a license holder or a holder of authorization to engage in payment initiation issued by the ISA

Part A

1. Failed to report to the ISA the existence of a circumstances listed in Section 27(c)(1) to (6) of the Investment Advice Law with respect to itself or a senior officer thereof, in violation of the provisions of Section 15(a).
2. Failed to defined procedures to regulate its proper operations concerning the proper management of the work of the board of directors and its committees; to ensure the proper and fair management of a license holder or a holder of authorization to engage in payment initiation issued by the ISA; emergency preparedness and business continuity, or procedures in other matters defined by the ISA, in violation of the provisions of Section 25(b).
3. Violated directives that the ISA issued under Section 30.

Part B

1. Failed to ensure the existence of proper, advanced mechanisms for information security, risk management, business continuity, and cyber defense, in violation of the directives issued by the ISA under Section 25(a).
2. Failed to hold money received from or for their customers in a separate trust account administered by a management entity on behalf of its customers, or failed to comply with the other conditions defined in order to safeguard all of its customers’ money, in violation to the provisions of Section 27.
3. Failed to comply with the requirements related to insurance, minimum shareholders’ equity, or other collateral security, as defined by the ISA, in violation of the directives issued by the ISA under Section 29(a).
4. Failed to submit to the ISA a report or notice in accordance with the directives issued by the ISA, in violation of the provisions of Section 29(b), or failed to give the ISA explanations, details, information, or documents related to the information contained in said report or notice in

accordance with a demand of the ISA or an ISA authorized for that purpose, in violation of the provisions of Section 29(c).

5. Violated a directive issued by the ISA under Section 38(b).

Sixth Addendum

(Definition of a “violation” in Section 42)

Violations for the purpose of imposing administrative means of enforcement by the Administrative Enforcement Committee

1. Engaged in the provision of payment services or payment initiation without a license or authorization issued by the ISA or failed to comply with its terms, in violation of the provisions of Sections 2, 6(b), and 19.
2. Controlled a license holder without a control permit, in violation of the provisions of Section 12(a).
3. Transferred means of control in a license holder to another party, if the violator should have known that the transferee lacked a control permit yet required one, in violation of the provisions of Section 12(c).
4. Failed to comply with an instruction issued to it under Section 14(a) to (c).
5. A license holder or a party that submitted an application for a license that included misleading information in the application, in a filing or in other information furnished to the ISA, in violation of the provisions of Section 29(d), if they should have known that it might mislead the ISA.