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New opportunities within the Israeli banking and financial sector:

The Bank of Israel, the Israeli regulator of banking activities, is taking new steps to enhance competition in the credit card business and in the area of credit. Recently, the Bank of Israel announced that it intends to compel Israel's two largest banks (Bank Hapoalim and Bank Leumi) to sell their credit card business (i.e., "Isracard" and "Leumi Card", respectively) - the largest players in the Israeli credit card market.

On November 17th, 2015, the Bank of Israel took a step further and published a draft of an updated policy **for seeking a permit to control or hold the means of control of a merchant acquirer** (also known as clearing company) and **for the licensing of merchant acquirers** (clearing activity requires a permit from the Bank of Israel and hence is subject to regulation by it. Clearing activity is the main revenue stream of the Israeli credit card companies). The updated (draft) policy **reduces significantly** the requirements for obtaining a permit to control a **merchant acquirer** as well as the capital requirements of the **merchant acquirers** themselves. In addition, the updated policy will create an environment that encourages the entry of new players as owners of credit card companies, such as PE funds and financial foreign players which **were prohibited from doing so until now**. This opportunity is enhanced by the fact that according to the updated draft policy, the large financial institutions in Israel, such as banks, insurance companies and investment houses **will be prohibited from purchasing the credit card companies** on sale.

These changes are part of the new policy to encourage competition, which has followed the Israeli Law to Promote Competition and Reduce Concentration (2013), a law which has compelled several control holders of large banks and financial institutions to sell their control stake **until the end of 2019**. Consequently, we expect to see in the near future **foreign investors taking advantage of such opportunities**.



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