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## Another Step Towards Open Banking in Israel

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On December 4th, 2019, three days after the surprising announcement of Ms. Hedva Ber of her decision to retire early from her position as Supervisor of Banks at the Bank of Israel (*the "BOI"*), the Banking Supervision Department of the BOI has published a draft directive regarding the implementation of a standard for Open Banking in Israel, in what now appears to be Ms. Ber's swan song.

The Open Banking concept is perceived by many to be the next step in the evolution of financial services worldwide. The idea of Open Banking is to require banks to allow third party players to access customers' data (subject to customer consent) and to simultaneously create a technological environment based on which third party players will be able to develop financial services applications linked to such data. The motivation is this - enriching the financial services offered to customers while enhancing competition within the banking sector.

On paper, the legal revolution in Israel has already occurred with the enactment of the Law for Increasing Competition and Reducing Concentration in the Banking Sector, on January 2017 which already requires banks to disclose customer information (with customer request) to other financial entities. However, it is clear that without creating the actual infrastructure for sharing of information, little has been achieved.

Following in the footsteps of other regulators around the world, BOI's draft directive intends to establish this infrastructure. The draft directive instructs banks and payment card companies how to implement a standard for Open Banking in Israel, the framework for forming a single API (Application Programming Interface) which will enable banks and developers to operate in developing the open banking ecosystem, the baskets of data banks and payment card companies will be required to share, rules on how to obtain customers' consent to share information, etc.

According to BOI's published timetable, as a first step to implement the reform, by December 2020 customers' current accounts' financial data is to become accessible to third parties through the envisaged Open Banking platform. The following steps, by which the platform will allow access to additional data relating to clients' payment cards, loans, savings accounts, and securities accounts, together with the introduction of a platform enabling payment initiation services, are to be completed by the end of 2021.

Although the draft is still in early stages and currently open to public comment, these are certainly interesting times in Israel with BOI pushing for regulatory reform which has the potential to significantly impact the financial sector.

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