

יולי 9, 2026

## **Stablecoins – Israel Advances a Dedicated Licensing and Supervision Regime**

### **Client Updates**

On June 29, 2026, Israel published the Legislative [Memorandum](#) for the Financial Services Supervision Law (Issuance of Stablecoins), 5786-2026 (the "**Memorandum**"), which seeks to establish, in primary legislation, a comprehensive framework for regulating the activity of issuers of stablecoins in Israel. The Memorandum was not published in a vacuum, it follows a series of government decisions, including the Government's February 2023 resolution to promote the regulation of digital-asset activity, and the Minister of Finance's December 2024 decision to assign licensing and supervisory authority to the Capital Market, Insurance and Savings Authority.

While the global market includes hundreds of stablecoins with monthly activity in the trillions of dollars, Israel still lacks a dedicated legislative framework for stablecoin issuance – a regulatory gap that may expose the public to risks of fraud, loss of assets, tax evasion and money laundering.

### **Key Features of the Proposed Framework**

#### **Licensing Requirement and Supervisory Regime**

The Memorandum provides that a person may not engage in the issuance of stablecoins without a dedicated license. Licensing, supervisory and regulatory authority would be assigned to the Commissioner of the Capital Market, Insurance and Savings Authority, acting as the supervisor of stablecoins (the "**Supervisor**"). A license applicant would be required to meet strict conditions, including requirements relating to integrity and probity, financial stability, corporate governance and appropriate technological and cyber infrastructure.

The Supervisor would also be authorized to impose additional requirements, including capital adequacy, professional liability insurance, restrictions on asset types and investments, and liquidity requirements, all depending on the type and scope of the activity and the level of risk involved.

#### **Full Backing and Safeguarding of Reserve Assets**

At the heart of the Memorandum is the requirement to preserve the stability of the stablecoin and protect holders through backing of the issued stablecoins with reserve assets at a rate of at least 100%. The reserve assets would be required to be low-risk and highly liquid, segregated from the issuer's own assets, and used solely to secure the issuer's obligations toward the stablecoin holders.

In this context, it is important to note that the Memorandum adopts a broad definition of "holder", which is not limited to persons who purchased the stablecoin directly from the issuer, but also includes persons who received the stablecoin from a third party. Accordingly, the key protections, including disclosure, redemption and safeguarding of reserve assets, would apply to all holders of the stablecoin.

The Memorandum further anchors holders' redemption right as a fundamental right- each holder would be entitled to request redemption of the stablecoin at the value of the reference asset, without redemption fees and without burdening, conditioning or limiting the exercise of the right due to the quantity of stablecoins requested to be redeemed.

Against the background of the ongoing global regulatory debate as to whether stablecoin issuers should be permitted to pay interest or yield to holders, particularly in the United States, the Memorandum takes a position that prohibits payment of interest to holders, in order to distinguish a stablecoin used as a means of payment or store of value from a yield-bearing investment product.

### **Corporate Governance**

The Memorandum would require the establishment of a corporate governance and internal supervision framework, including a board of directors of at least three members, a CEO, an auditor and a compliance officer. In addition, the Supervisor would be authorized to set further fitness requirements for officers, and certain provisions of the Companies Law would apply to the auditor as if the issuer were a public company.

The Memorandum places particular emphasis on the role of the auditor, with a view to strengthening holders' confidence in the issuer's ability to comply with the requirements relating to stablecoin stability and liquidity.

### **Disclosure and Reporting**

In order to allow full and clear disclosure to holders regarding the terms of the stablecoin, the Memorandum provides that an issuer may not offer a stablecoin to the public before publishing a Hebrew disclosure document, which includes the information relevant to a reasonable holder, including the backing mechanism, redemption policy, risks involved in the activity and the manner in which reserve assets are safeguarded.

In addition, the issuer would be required to update the disclosure document in the event of new material information or an error that may mislead the public, and to publish ongoing information on its website, including the number of stablecoins in circulation and the value and composition of the reserve assets.

The Memorandum also includes prohibitions on misleading conduct, unfair influence and tying services - namely, prohibiting the conditioning of a service relating to the stablecoin on the purchase of another service or asset that is not required for that service.

## **Control, Mergers and Holdings of Means of Control**

Similar to arrangements applicable to other supervised financial entities, the Memorandum would require a permit from the Supervisor for acquiring control of an issuer or holding more than 10% of its means of control. In addition, transferring means of control to a person who requires a permit and does not hold such permit would be prohibited, and holders of more than 5% of the means of control would be subject to annual reporting obligations. A merger of a stablecoin issuer with another corporation would require the Supervisor's approval, in addition to any other approval required under law.

## **Foreign Issuers and Cross-Border Activity**

In order to increase competition and allow the entry of foreign issuers, the Memorandum would allow an issuer of stablecoins that operates outside Israel and is supervised under foreign law (a "**Foreign Issuer**") to receive a license to operate in Israel under the Supervisor's supervision. In this framework, the Supervisor would be able to take into account the regulation applicable to the Foreign Issuer and grant exemptions based on such regulation, provided that the regulation and supervision in the home jurisdiction provide adequate customer protection, at the Supervisor's discretion. It should be clarified that this is not an exemption from an Israeli license, but rather a license from the Supervisor, in respect of which exemptions may be granted, subject to protecting customers' interests and matters of public interest.

In order to protect Israeli residents in connection with stablecoins issued outside Israel, the Memorandum seeks to anchor a principle of substantive application, under which, where a foreign corporation directs its activity to Israeli residents – for example, by addressing customers in Hebrew, offering services in Israeli currency or in a stablecoin pegged to the Shekel, or cooperating with financial service providers or payment service providers – the provisions of the law would apply to it, even if its center of activity is outside Israel and even if it has no physical presence in Israel.

## **Enforcement Powers**

The Memorandum grants the Supervisor broad supervisory and enforcement powers, including requiring the correction of deficiencies, issuing orders to cease unlicensed activity and imposing administrative monetary sanctions. In addition, it is proposed to establish criminal offenses for issuance without a license, holding means of control without a permit, or transferring means of control to a person who requires a permit and does not hold one.

## **What's Next?**

The Memorandum is open for public comments until July 20, 2026, and constitutes only a preliminary stage before the submission of a bill and completion of the legislative process in the Knesset. In parallel, a separate memorandum is expected to be published with respect to stablecoins that have significant monetary or financial-stability implications, and additional matters are being examined, including supplementary consumer protection regulation and amendments to Israel's Prohibition on Money Laundering Law.

The Memorandum signals a possible shift from the absence of a dedicated Israeli framework for stablecoin issuance to a comprehensive licensing and supervision regime. Hence its importance, including for foreign issuers seeking to operate in the Israeli market. In light of the scope of the proposed arrangement, entities that may be affected by it, including potential issuers and foreign entities targeting the Israeli market, are advised to assess at this stage the implications of the Memorandum for their activity and to consider submitting comments.

Our firm's financial regulation, fintech and digital assets group advises a variety of companies and financial institutions on matters relating to digital-asset activity and the implementation of applicable regulatory requirements.

We invite you to contact us with any question or consultation regarding the Memorandum, including the assessment of its implications for your activity and the submission of comments.

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This client update is designed to provide general information only, is not a full or complete analysis of the matters presented, does not constitute a legal opinion or legal advice, and may not be relied upon.

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