



July 2, 2018

**Circular no. C-06-2565**

Attn:

**The banking corporations and credit card companies**

**Re: Payment Cards**

(Proper Conduct of Banking Business Directive no. 470)

**Introduction**

1. This amendment to the directive is due to the legislation of The Enhancing Competition and Reducing Concentration in the Banking Sector in Israel (Legislative Amendments) Law, 5777-2017 (hereinafter, "the Enhancing Competition Law").
2. After consultation with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, I have amended this Directive.

**Main changes to the Directive**

**1. Definitions: (Section 2):**

The following definitions were added:

- 1.1. Bank
- 1.2. Enhancing Competition Law
- 1.3. Issuing processor
- 1.4. Issuing bank

**2. Funds transfer from the issuing bank to the issuing processor**

- 2.1. The proceeds in respect of all transactions carried out via an issuing bank's payment card, shall be transferred from the banking issuer to the issuing processor, in line with the date or dates set in the four-party acquiring model, independent of the date the customer is debited and independent of the identity of the acquirer, to whom the issuing processor sends the proceeds.

**Explanation**

This section regulates the timing for transferring the proceeds between the issuing processor of the payment cards issued by the bank (including jointly issued cards). That is, the banks are to transfer to the issuing processor the funds in respect of transactions using the cards they issued at the time the issuing processor is required to transfer those funds to the merchant acquirer, independent of the customer's debit date and independent of identity of the acquirer. To the extent that the issuing processor is required to transfer the funds once per month, the funds are to be transferred on that date. To the extent that the issuing processor is required to transfer the funds on several dates (for example, with immediate debit cards the funds are to be transferred on a daily basis), the bank is to transfer the funds to it on those dates.

This section establishes that it is the issuing bank's responsibility for bridging the time gaps between

the date that the customer is debited and the date that the issuing processor is required to pay the acquirer.

**Effective date**

This section goes into effect on February 1, 2019 with regard to the proceeds required to be transferred by the issue operator to the acquirer on that date.

**3. New operating agreements—transition provisions (Section 27)**

- 3.1. New operating agreements between an issuing bank and the issuing processor, which are signed by January 31, 2022, are to be provided to the Supervisor. In this regard, the renewal of an existing agreement in which a material change has been made, in the view of the bank or of the issue operator, shall be considered a new agreement.
- 3.2. If the issuing bank was a bank with a wide scope of activity, as defined in the Enhancing Competition Law, the said operating agreement shall require the approval of the Supervisor of Banks.
- 3.3. If the Supervisor of Banks did not provide an opinion within 45 days of the date all the required materials were submitted regarding the provisions of Subsection (b), it shall be taken as an approval.

**Explanation**

Section 9(2) of the Enhancing Competition Law establishes that the Supervisor of Banks may issue directives regarding the division of revenues between a bank with a wide scope of activity as defined in the Enhancing Competition Law and the issuing processor. The division of revenues depends on the scope of services provided by the issuing processor and the bank, and could be dependent as well as the additional agreements between the bank and the issuing processor. In addition, agreements between the issuing processor and banks with a wide scope of activity are likely to impact on all the agreements between banks and issuing processors. Therefore, all banks and all issuing processors are required to provide the Supervisor of Banks with the main points of the new agreements they signed through January 31, 2022; issuers that are banks with a wide scope of activity are required to receive the approval of the Supervisor of Banks for the new agreements. In this regard, the renewal of an existing agreement in which a material change has been made, in the view of the bank or of the issuing processor, shall be considered a new agreement. The Supervisor of Banks shall examine the reasonability of the agreements, including the division of revenues, the suitability to the services provided, and shall issue an opinion within 45 days.

**4. Effective date**

This update to the Directive goes into effect with the publication of this circular.

**Update of file**

- 5. Update pages for the Proper Conduct of Banking Business Directive file are attached. Following are the provisions of the update:

**Remove page**

(1/18) [12] 470-1-8

**Insert page**

(7/18) [13] 470-1-10

Respectfully,

Dr. Hedva Ber  
Supervisor of Banks