

Press releases

Promoting competition in the financial market: the Ministerial Committee for legislation approved the proposals of the Minister of Finance for the establishment of a regulatory sandbox and the expansion of non-banking financial institutions

Unit: [Spokesperson and Public Relations Department](#) , [The Budgets Department](#)

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The bill will expand the competitiveness of the financial market in Israel and its innovation by easing regulation on financial institutions.

Finance Minister, Avigdor Lieberman: "These measures will reduce regulation of non-banking entities within the financial system and promote innovation and effective competition. We will continue to develop measures that will lead to improved consumer service, cost reduction and promotion of competition in Israel."

The Ministerial Committee on Legislative Affairs approved today (Sunday) Finance Minister Avigdor Lieberman's proposal to apply continuity to two proposals promoted by his office in the previous Knesset, which were approved in the first reading. The first bill will lead to the establishment of a unique regulatory sandbox intended for advanced FinTech companies. Under the plan, regulators will be able to give regulatory relief to these entities while hedging their risks, allowing them to try their innovative products in the Israeli market to the benefit of consumers. In addition, each company participating in the program will be closely monitored to ensure the success of the program. This will constitute an innovative experimental environment in Israel, in cooperation with all the financial regulators in Israel in order to support the activities of fintech companies and innovative financial activities in Israel.

The program will operate in accordance with the conclusions of an inter-ministerial team that examined the creation of a mitigating regulatory environment for FinTech companies. The team was coordinated by the Justice and Finance Ministries and includes representatives from the Securities Authority, Bank of Israel, Capital Market Authority, Anti-Money Laundering and Terrorist Financing Authority, and the Tax Authority.

Fintech holds many benefits for consumers, the financial system and the Israeli economy, such as improving customer service and reducing costs, improving competition by the entry of new players into the market, increase the availability of financial products, encouraging employment of professionals with high productivity and streamlining business environment in Israel. The bill is expected to give impetus to the assimilation of fintech companies' products in the Israeli market.

The second bill will allow lenders to diversify and expand funding sources to grant credit, thereby reducing financing costs and expanding the competitiveness of these entities towards the banking system. Under the bill, it will be possible for large non-banking lenders that comply with the provisions of the law to increase their fundraising ceiling via bonds from NIS 5 billion to NIS 15 billion, as well as raise debt through commercial securities. In addition, various restrictions will be removed regarding the collection of promissory notes from all non-banking credit providers.

This bill will allow the non-banking lenders to increase and diversify cheaper sources of financing and reduce the dependence on the banking system. It will allow non-banking lenders to increase competition with credit from the banking system.

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