



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT

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Press Release

The Ministerial Committee on Legislation has approved a Bill aimed at Increasing Competition in the Credit Card Market, intended mainly to benefit Small Business Owners

The bill, approved today in the ministerial committee by a majority of 9, with 3 abstentions and no opposing votes, was formulated by the Accountant General Department in the Ministry of Finance, in collaboration with the Bank of Israel and the Ministry of Justice. Its objectives are to correct failures in the Israeli credit card market and to increase competition in a market estimated at more than NIS 160 billion, mainly to the benefit of small business owners. Prior to the bill's approval by the interministerial committee, the subject was examined in-depth by the Minister of Finance, **Dr. Yuval Steinitz**, also in discussions with the credit card companies, the factoring companies and other market players.

The key goal of the bill is to increase competition in the area of clearing. The bill states that an issuer of 10% or more of credit cards is a large issuer and must allow other clearers to clear transactions executed using the large issuer's debit cards. This proposal would increase competition in the clearing market, since, unlike today, businesses would be able to choose the credit card company with which they contract to accept the major cards available in the market, leading to greater competition and to a reduction in the fees paid by businesses.

Another important item in the bill refers to the factoring market. Today, businesses must obtain the approval of the credit card company in order to factor transactions executed using credit cards. The credit card companies often create difficulties for businesses that wish to contract with factoring companies not under their ownership. Under the bill, credit card companies would not be permitted to prevent businesses from contracting with any factoring company.

The bill also proposes allowing new competitors to enter the market. Entry barriers for new issuers are currently high, as they lack clearing infrastructures. The bill states that any clearer of 20% or more of transactions is obligated to clear transactions of other issuers. In effect, new issuers would be able to use the existing companies' clearing infrastructures and would not need to establish their own systems.



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The bill follows recommendations by the interministerial committee for the examination of market failures in the credit-card clearing system in Israel, appointed in August 2005. During the formulation of the bill, the accountant general conducted an in-depth study of the market and met with all of the relevant parties in the industry, including all of the credit-card companies as well as factoring companies, insurance companies, retail firms and small businesses. He also surveyed the existing government regulation in this area elsewhere in the world.

Minister of Finance, **Dr. Yuval Steinitz**, stressed that opening the market to competition will mainly improve the standing of small businesses, in Israel in general and in the periphery in particular, improve the service provided by credit card companies to small businesses and lead to a reduction in fees for businesses. The minister added that he hoped, in view of the bill's importance, that the Knesset would approve it expeditiously.

Accountant General **Mr. Shouky Oren** noted that he was pleased that in the wake of professional and thorough work carried out by the Accountant General Department in collaboration with the Bank of Israel and the Ministry of Justice, the ministerial committee had approved a consumer law of first importance. The bill was a further step towards increasing competition in the market, to the benefit of business and the economy in Israel .