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Navigating Israel's Financial Services License Regulation Landscape in 2023: A Comprehensive Guide for Businesses and Investors

Client Updates

The Law on the Supervision of Financial Services (Regulated Financial Services), 2016 (hereinafter: "**The Law**") regulates the occupation of financial service providers, including credit service providers (such as real estate loans, loans for any purpose, business loans, checks and credit cards payment acceleration services, credit consolidation, guarantees, etc.), financial asset service providers (such as foreign exchange, transfers, virtual currency, payment services, etc.) (formerly known as currency services), a mediation system between lenders and borrowers (P2P) and a deposit and credit services association.

This article will provide a brief overview of the requirements that need to be met by financial services providers and the guidelines for obtaining licenses for credit services and financial asset services.

Per the Law, the supervisor of financial service providers is the Insurance and Savings Capital Market Authority Commissioner.

The primary objective of the Law is to foster the growth of the financial services sector as a viable alternative to traditional banking, promote healthy competition, and establish efficient oversight to prevent illicit use of the industry by offenders.

The Law sets out specific requirements and obligations that must be met to obtain a license:

- Minimum equity requirement (between half a million NIS and four million NIS, depending on the type of license).
- For a license application, evaluation of the applicant's honesty and integrity. For corporations, assessment of the honesty, integrity, and competence of the officers, controlling shareholders, and interested parties involved.
- Interested parties and controlling shareholders of the corporation must obtain a permit to hold and maintain shares/means of control.
- To have an activity document or a business plan, depending on the license type. Additionally, license holders must demonstrate sufficient financial means, and if engaging in credit provision, the funding sources will be examined.

In addition, the Law imposes duties and requirements such as:

- Prohibition of misleading information in advertising.
- The obligation of extended disclosure of all details relating to the execution of the transaction.
- The inspector may require to draw up written agreements in areas that have yet to be regulated.
- Establishing uniform fees.
- Periodic reports to the Capital Market Authority.

The Law establishes a criminal penalty for violating the Law, and the inspector is authorized to impose financial sanctions on the financial service provider, the controlling shareholders, and the corporation's officers if they have violated the license's terms or the Law's provisions.

From a consumer point of view, a violation of the Law constitutes grounds for a class action. Accordingly, a financial services provider must abide by all the provisions of the Law and the supervisor's instructions, including the existence of agreements and disclosure pursuant to the Law.

On November 28, 2019, the Capital Market Authority published the updated procedure for submitting an application for a financial services license for financial asset and credit service providers.

This procedure outlines the requirements that need to be met by financial service providers. It includes the need for policies to support their activities, examination of organizational structure, business plans, and financial stability of license applicants. It also involves checking the background of officers and controlling shareholders and verifying the applicant's compliance with consumer protection laws. Moreover, an attorney must approve all statements and documents involved.

Our office handles all the procedures required for the license, including training, preparing documents, preparing business plans and preparing required affidavits, planning an appropriate organizational structure, and accompanying controlling shareholders and appointing officers through the process.

Furthermore, our office accompanies financial service providers regularly, from a corporate aspect, compliance with the provisions of the Law and of the Capital Market Authority, preparation of a contractual system, etc.

[Link to the presentation - Navigating the landscape of the regulation of the financial services license in Israel in 2023](#)

For any further information or assistance, you may contact our partners specializing in financial regulation.

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