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Regulations for the Supervision of Financial Services (**Regulated Financial Services**) (**Exemption from Licensing Obligation**) 5782-2022

Pursuant to the power vested in me by Section 13(b) of the Supervision of Financial Services Law (Regulated Financial Services) 5776-2016[1] ("the Law") and with the approval of the Knesset Finance Committee, I am making the following regulations:

Definitions	1.	In these Regulations —	
		"Consumer Credit" – granting of credit to anyone who is a consumer, as this term is defined in the Consumer Protection Law 5741-1981;[2]	
		"Venture" – an agreement, including a follow-up agreement, to perform an economic activity designed to achieve a defined goal in a specific area, in a limited period of time;	
		"Derivative" "Securities Repurchase Transaction" — as these terms are defined in the Financial Asset Agreements law 5766-2006;[3]	
		"Acquirer" – as this term is defined in Section 36I of the Banking Law (Licensing);	
		"Partnership Ordinance" – The Partnership Ordinance [New Version] 5735-1975'[4]	
		"Registrar of Cooperative Associations" – as this term is defined in Section 3 of the Cooperative Associations Ordinance;[5]	
		"Credit Transaction Operations" – any service or activity involving a credit provider and a credit recipient in a credit transaction, including the collection of funds and responding to inquiries related to the provision of the credit;	
		"Cooperative Associations Regulations" – Cooperative Associations Regulations (Types of Associations) 5756-1995;[6]	
Exemption from Requirement for License to Provide Credit	2.	The licensing requirement under Section 12 of the Law for any party whose business is the provision of credit shall not apply to the following, with respect to said business:	
		(1)	A corporation incorporated in an OECD member country, that holds a banking license issued by a regulatory authority in an OECD member country, and is subject to AML directives in said country, provided that the corporation is not required to obtain a license under the Banking Law (Licensing);
		(2)	A corporation that is controlled by a corporation defined in paragraph (1) or by a controlling shareholder of such corporation, and is subject to supervision in the matter of providing credit in an OECD member country, and is subject

[1] Book of Laws 5776, p. 1098; 5782, p. 328.
[2] Book of Laws 5741, p. 248; 5782, p. 175.
[3] Book of Laws 5766, p. 286; 5778, 414.
[4] Laws of the State of Israel, New Version No. 28, p. 249; 5775, p. 156.
[5] Laws of the State of Israel Vol. 1, p. 336; Book of Laws 5778, p. 408.
[6] Collection of Regulations 5756, p. 336; 5767, p. 963.

			to AML directives in said country, provided that it does not provide consumer credit in Israel;				
		(3)	A corporation incorporated in an OECD member country, that holds a license to engage in insurance issued by the regulatory authority in an OECD member country, and is subject to supervision in an OECD member country in the matter of providing credit, and is subject to AML directives in said country, provided that the corporation does not engage in providing consumer credit in Israel;				
		(4)	A corporation whose business is transactions in derivatives, securities repurchase transactions, or securities lending, or whose business is the provision of securities trading services, as this term is defined in the Securities Law, for other parties' accounts or for its own account; and said corporation, which was incorporated in an OECD member country, is subject to supervision by a regulatory authority in an OECD member country, and is permitted to provide credit within activities involving said transactions or trading services – all the above referring to the provision of credit that is part of the execution of activities involving said transactions or trading services;				
		(5)	A corporation which complies with all the following:				
			(a)	All its means of control are held by a holder of an extended license to provide credit (in this paragraph—the controlling shareholder), not including:			
				(1)	Means of control held by a trustee of debentures, as this term is defined in sub-paragraph (b)(2);		
				(2)	Means of control held by one of the following as collateral for a debt created according to sub-paragraph (b)(2):		
					(a)	A holder of an extended license to provide credit;	
					(b)	An insurer, as this term is defined in the Supervision of Insurance Law;	
					(c)	A managing company, as this term is defined in the Supervision of Provident Funds Law;	
					(d)	A trustee of debentures, as this term is defined in sub-paragraph (b)(2);	
					(e)	A banking corporation and an auxiliary corporation, as these terms are defined in the Banking Law (Licensing);	
					(f)	An acquirer;	
					(g)	A holder of a license to provide deposit and credit services;	
			(b)	It is engaged exclusively in the following two activities:			
				(1)	Acquisition of credit transactions performed by the controlling shareholder, from the controlling shareholder;		
				(2)	Debt financing through loan agreements or the issue of debentures, as this term is defined in Section 35A of the Securities Law, provided that the nominal amount of the debentures issued by the corporation, the controlling shareholder, and other similar corporations under its control does not exceed the limit, as this term is defined in paragraph (8)(a) of the definition of the term "providing credit" in Section 21(b) of the Banking Law (Licensing).		
			(c)	The party that operates the credit transactions noted in sub-paragraph (b)(1) is the controlling shareholder or another operator that holds an extended license to provide credit, and the controlling shareholder agreed to be deemed liable for upholding the provisions of law that apply in connection with said transactions to the party that granted credit, as if the controlling shareholder is the party that provides the credit in these transactions;				
		(6)	A partnership, as this term is defined in the Partnership Ordinance, or a foreign partnership, as this term is defined in Section 74 of said Ordinance, which complies with all the following:				
			(a)	It was established for the purpose of investing in a specific venture and is engaged exclusively in this venture;			
			(b)	The party that operates the credit transactions stated in sub-paragraph (a) is the general partner or another operator that holds an extended license to provide credit, and the general partner agreed to be deemed			

					liable for upholding the provisions of that that apply in connection with said transactions to the party that extends credit, as if the general partner is the party that extends credit in these transactions;
		(7)	A corporation which complies with all the following:		
			(a)		It functions exclusively for the purpose of raising capital from investors and their investment is in a specific venture only;
			(b)		A holder of an extended license to provide credit that holds at least 80 percent of each class of the corporation's means of control (in this sub-paragraph— the controlling shareholder); This holding also takes into account the means of control that are owned by the controlling shareholder and are held by any of the following parties as collateral for a debt:
				(1)	A holder of an extended license to provide credit;
				(2)	An insurer, as this term is defined in the Supervision of Insurance Law;
				(3)	A managing company, as this term is defined in the Supervision of Provident Funds Law;
				(4)	A banking corporation and an auxiliary corporation, as these terms are defined in the Banking Law (Licensing);
				(5)	An acquirer;
				(6)	A holder of a license to provide deposit and credit services;
			(c)		The holdings of each owner of the corporation's means of control that is not the controlling shareholder, does not exceed 10 percent of any class of the corporation's means of control;
			(d)		The party that operates the credit transactions executed by the corporation is the controlling shareholder or another operator that holds an extended license to provide credit, and the controlling shareholder agreed to be deemed liable upholding the provisions of law in connection with said transactions that apply to the party that extends credit, as if the controlling shareholder is the party that extends the credit in these transactions;
		(8)	A corporation that extends credit exclusively to business corporations—in the matter of providing said credit, provided that all of the following obtain:		
			(a)		The total credit that the corporation provides in a single credit transaction is not less than NIS 3 million;
			(b)		The corporation that receives credit is not a buyers' group;
			In this paragraph—		
			"an organizer" – the party that acts, or that acts through another party, to organize a group of buyers for the purpose of the acquisition, including the preparation of the contractual framework;		
			"a buyers' group" – a group of buyers that acts in a coordinated manner to purchase a property or a service or a right to any thereof, through an organizer, provided that the buyers in the group are bound by a contractual framework;		
			"business corporation" – a corporation that is not a non-profit organization, as this term is defined in the Value Added Tax Law 5736-1975;[7]		
		(9)	A party whose business is to provide credit to corporations whose main line of business is R&D or the manufacture of innovative, knowledge-intense products or processes, and the investment therein carries a higher risk relative to other investments – in the matter of providing credit to said corporations;		
		(10)	An association that the Registrar of Cooperative Associations classified according to the Cooperative Associations Regulations as a workers' settlement or cooperative village – in the matter of extending credit to its members or to corporations under its control;		
		(11)	An association in which all members are entities listed below – in the matter of extending credit to its members, to members of its members, or to corporations under its members' control:		
			(a)		A settlement association, as this term is defined in Section 13(a)(17) of the Law;

[7] Book of Laws 5736, p. 52; 5782, p. 247.

			(b)		An association classified by the Registrar of Cooperative Associations according to the Cooperative Association Regulations as a workers' settlement, a cooperative village, or an agricultural association;
			(c)		A corporation wholly controlled by an association stated in sub-paragraph (a) or sub-paragraph (b);
		(12)	A corporation all of whose means of control are held by an association whose members are associations that the Registrar of Cooperative Associations classified, according to the Cooperative Associations Regulations, as a cooperative kibbutz, a "revitalized" kibbutz, a cooperative settlement, a workers' settlement, a cooperative village, or an agricultural association – in the matter of extending credit to the members of the association or to corporations under their control;		
		(13)	A public-benefit corporation that was established before Sivan 7, 5777 (June 1, 2017) and whose means of control are all held by the Kibbutz Movement, as this term is defined in Regulation 2(15) of the Cooperative Associations Regulations, either directly or through corporations that are wholly controlled by said Kibbutz Movement – in the matter of extending credit to corporations controlled by the Kibbutz Movement, to members of the Kibbutz Movement and to corporations under their control, and to the members of Kibbutz Movement members;		
		(14)	A corporation whose means of control are all held by a settlement association, as this term is defined in Section 13(a)(17) of the Law or by an association stated in paragraph (10) – in the matter of extending credit to members of the association or to corporations under their control;		
Exemption from Requirement for License to a Service Involving a Financial Asset	3.	A requirement to obtain a license according to Section 12 of the Law that applies to a party whose business is the provision of a service involving a financial asset shall not apply to the following– in the matter of said business:			
		(1)	A corporation as stated in Regulation 2(1)-(4) – in the matter of providing a service involving a financial asset, with the necessary changes;		
		(2)	An insurance agent, as this term is defined in the Supervision of Insurance Law, in the matter of holding funds collected by the agent from insured parties in a separate account that it manages as a trustee of an insurer, as this term is defined in said law, according to the directives issued by the Supervisor according to Section 30(1) of said law;		
		(3)	A party that provides operating services, as this term is defined in Section 3(c) of the Supervision of Financial Services Law (Pension Advice, Marketing, and Acquiring Services) 5765-2005[8] – in the matter of providing said operating services;		
		(4)	Any of the following that manages financial assets in a trust account for its customers, including through a trust account – in the matter of managing said financial assets:		
			(a)	An attorney;	
			(b)	An accountant;	
			(c)	A party appointed as trustee by law or court ruling, including:	
				(1)	A party who serves as a trustee of a mutual fund, as this term is defined in Section 4 of the Joint Investments in Trust Law 5754-1994,[9] and was approved by the Chair of the ISA according to Section 9 of said law;
				(2)	A party who serves as a trustee of debentures, as this term is defined in Chapter E1 of the Securities Law;
				(3)	A party who serves as a trustee, as this term is defined in Section 102(a) of the Income Tax Ordinance[10] – in the matter of allocating shares to employees according to said section;
		(5)	A hotel, as this term is defined in the Tourism Services Law 5736-1976,[11] that holds a business license in the matter of hospitality and accommodations		

[8] Book of Laws 5765, p. 918; 5779, p. 252.
[9] Book of Laws 5754, p. 308; Book of Laws 5779, p. 251.
[10] Laws of the State of Israel New Version No. 6, p. 120; 5782, p. 322.
[11] Book of Laws 5736, p/ 228; 5766, p. 322.

			according to Business Licensing Order (Businesses Subject to Licensing) 5773-2013[12] – in the matter of transactions to convert currency of one country into currency of another country (in this paragraph — a conversion transaction), in respect of which all of the following obtain:	
			(1)	The conversion transaction is made for a guest of the hotel who is staying at the hotel for at least one night, and the guest is a foreign resident;
			(2)	The value of any currency converted in the conversion transaction does not exceed USD 250 per day per guest;
		(6)	A holder of a license to operate a credit intermediary system, as this term is defined in Section 25Q of the Law – in the matter of providing a service involving a financial asset that is provided as part of the operations of a credit intermediary system.	
Commencement	4.	These regulations (hereinafter: "the Primary Regulations") come into effect on Tevet 28, 5782 (January 1, 2022) – the commencement date).		
Temporary law	5.	In the period from the commencement date to Tevet 20, 5784 (January 1, 2024), the following will be in effect:		
		(1)	In Regulation 1 of the Primary Regulations –	
			(a)	After the definition of "consumer credit" insert: ""A recognized country" – the United States of America, a country member of the European Union, or the UK;";
			(b)	After the definition "Registrar of Cooperative Association" insert: ""Payment services" – as this term is defined in the Payment Services Law 5779-2019[13];";
		(2)	In Regulation 2 of the Primary Regulations, after paragraph (14) insert: "(15) A corporation that is incorporated in a recognized country and holds a license to engage in payment services issued by a supervisory authority in a recognized country, and is supervised in a recognized country in the matter of payment services, and is subject to AML directives in the said country, including with respect to its operations in Israel, and is permitted to engage in the provision of credit relating to payment services and is supervised in such activities under the said license, provided that the Fair Credit Law 5753-1993[14] shall apply to the provision of credit, and the corporation has an address in Israel for the delivery of court documents; The exemption noted in this paragraph shall apply only with respect to activity that is considered provision of credit relating to a payment, as this term is defined by applicable law in the recognized country in which the corporation was issued a license."	
		(3)	In Regulation 3 of the Primary Regulations, after paragraph (6) insert: "(7) A corporation that is incorporated in a recognized country and holds a license to engage in payment services issued by the supervisory authority in a recognized country, and is supervised in a recognized country in the matter of payment services, and is subject to AML directives in the said country including with respect to its operations in Israel; Said corporation may provide payment services in Israel only for the purpose of operations permitted under the payment services license issued to it by the supervisory authority in the recognized country and only in the matter of funds that are not digital currencies."	
Transitional provisions	6.	(a)	A party that is subject to a licensing requirement by law and was, immediately before the commencement date of this Regulations, exempt from said licensing requirement according to the Supervision of Financial Services Regulations (Regulated Financial Services)(Exemption from Licensing Requirement)(Temporary Law) 5779-2018[15] (in this Regulation – a practitioner) may continue its business even if it does not have said license, provided that the practitioner submitted an application for a license within 60 days of the publication date of these Regulations and received confirmation by the Supervisor that said application was filed, as long as the Supervisor did not issue a decision on the application.	

[12] Collection of Regulations 5773, p. 821; 5780, p. 2038.
[13] Book of Laws, p. 201; 5782, p. 2790.
[14] Book of Laws 5753, p. 174; 5779, p. 48.
[15] Collection of Regulations, p. 314; 5781, p. 882.

		(b)	Without derogating from the provisions of sub-regulation (a), a practitioner shall not be subject to a licensing requirement with respect to transactions that it executed before the publication of these Regulations, provided that these transactions are concluded within no more than seven years from the publication date.

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