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The Payment Services Law, 2019

On 31.12.2018, the Israeli Parliament ("Knesset") passed the Payment Services Law, 2018, to be codified as Payment Services Law, 2019 ("the Payment Services Law"). The purpose of the law is to regulate the relationship between the payment services provider and the payer, as well as between the payment services provider and the receiver of the payment (payee). The law annuls the Debit Cards Law, 1986 ("the Debit Cards Law"), and includes comprehensive legal arrangements imposed on all means of payment. The definition of means of payment was expanded in an attempt to foresee future technological developments, so that the entire sequence of actions a payer must perform in order to give a payment order will be included, whether or not this includes the use of an item or authentication detail.

The Payment Services Law will come into effect a year from its publication as a law. The Justice Minister may extend this period by no more than two increments, each consisting of up to six months. The Payment Services Law will come into effect after 18 months if the means of payment: (a) Allow the acquisition of property or services provided by the payment services provider who issued the means of payment, or a limited number of suppliers; and (b) The accumulated value of the means of payment cannot be recharged, or may be recharged only by an additional payment order by the payer, and the accumulated value does not surpass 1,000 ILS.

Following are the main aspects of the Payment Services Law:

1. **Applicability of the law** - the law applies to all types of payment service providers, both supervised and unsupervised. Payment services include the issuance of means of payment or clearing of payment transactions (for paying clients or payees), as well as managing payment accounts. The law differentiates between payment service providers who serve payers and payment service providers who serve payees.
2. **Obligations on payment service providers** - the law imposes obligations on payment services providers, including: the obligation to make a written contract between the payment service provider and the customer, proper disclosure, deception prohibition and reporting obligations in respect of charges; the customer will be given a reasonable opportunity to review the contract before its conclusion and his consent to the contract will be given explicitly and documented; the service provider will enable the customer to access the contract (including the changes made therein) as well as the documentation of the customer's consent to sign the contract. In addition, regulations were set for ending or canceling a contract.
3. **Liability arrangement** - the law sets a responsibility arrangement, under which the payment service provider is liable towards the payer for executing the payment order of the payer, as long as the payment service provider for the payee has yet to receive the funds to be transferred in the payment transaction. Once the payment service provider for the payee receives the funds,

he becomes liable towards the payee for their transfer to the payee. In other words, the payer and payee are entitled to remedies from their respective payment service providers.

4. **Misuse** - regulations were set regarding misuse of payment means and the liability arrangements which apply in such cases. The arrangement favors the customer and is a sort of insurance arrangement, similar to the arrangement under the Debit Cards Law, with the payment service provider shouldering most of the liability alongside customer participation. The liability arrangement also applies to cases in which a payment transaction was performed without documentation (including a written document, an acceptable institutional record that documents the identity of the payer and his consent to perform the payment transaction).
5. **Billing authorization** - the subject of billing authorization is regulated as well, allowing the authorization of the payment service provider to charge the account of the payer or his means of payment for changing sums according to the service or product provided by the payee. The arrangement includes the process for canceling authorization, canceling charges incurred through the authorization, etc.
6. **Penalties and financial sanctions** - sections of the law incur criminal and administrative liability. The law includes a chapter on financial sanctions that may be imposed by the regulator upon supervised entities or payees who violate the law (the regulator is defined as the relevant supervising entity according to the identity of the payment service provider or payee, such as the Supervisor of Financial Service Providers for a licensed credit provider, or the Commissioner of Capital Markets, Insurance and Savings for an insurer).
7. **The applicability of the law to payment service providers who are not Israeli residents** - the law applies to a payment service provider who is not an Israeli resident when providing payment services to a customer who is an Israeli resident, if his services are intended for customers in Israel.
8. **Restriction of applicability** - the law will not apply on certain payment services, such as payment services provided by the government and the Bank of Israel. In addition, the Justice Minister is granted the power, under certain circumstances, to exempt various types of means of payment, payment operations, payment accounts, payment service providers or customers from the applicability of the law.
9. **Transition orders** - as a general rule, the law will apply to means of payment issued prior to the law entering into effect and to billing authorizations granted prior to the law entering into effect.

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