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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

Competition in Mobile Payment Services – Note by Israel

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This document reproduces a written contribution from Israel submitted for Item 4 of the 146th OECD Competition Committee meeting on 18-20 June 2025.

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1. In its contribution to the OECD's 2022 Roundtable on the Evolving Concept of Market Power in the Digital Economy, the Israel Competition Authority (the ICA or the Authority) put forth, in length, its 2022 study of the industry of payment apps that provide payment transfer services between individuals. The contribution broadly describes the ICA study, its conclusion and the corresponding policy recommendations² (the Contribution). In this regard, it is very relevant to the discussion to be held in the current Roundtable concerning Mobile Payment Services.

2. As the ICA market research on P2P transfer apps indicated, the main findings revealed a significant network effect in the consumption of these services. Specifically, the value and attractiveness of a P2P transfer application increase with the number of users on that application. Furthermore, the research suggested that this market tends towards a winner-takes-all dynamic – with the Bit application, owned by the country's largest bank, being the likely victor in the Israeli context. The study also identified, among other things, significant growth potential within this market.

3. In light of these findings, the ICA recommended as was also detailed in the Contribution, implementing measures to weaken this network effect by establishing interoperability between the applications. The objective of this recommendation was to foster a competitive market where consumers can choose the application best suited to their needs without their choice being dictated by the number of users on any particular application. This would facilitate market entry for new applications offering superior services, enabling them to pose a competitive threat regardless of their initial user base.

4. Shortly, we will add, that since the discussion on the Evolving Concept of Market Power, **the Israeli legislator adopted** this recommendation almost entirely, in the Law for the Regulation of Engagement in Payment Services and Payment Initiation, enacted on June 6, 2023, and effective one year thereafter (the Law). This law establishes regulation for payment companies and the operation of payment initiation services generally, drawing upon the European PSD2 directive with adaptations for the Israeli market. The law mandates that P2P payment transfer applications using a unique identifier (specifically, **universal applications** providing services to all customers irrespective of their bank affiliation) that are deemed to have a "broad scope of activity" must enable the transfer and receipt of funds between individuals to and from other P2P applications based on a unique identifier (such as a phone number or email address). The definition of an application with a "broad scope of activity" includes P2P applications where the total value of funds transferred through their P2P transfer service exceeds 20% of the total value of all P2P transfers in Israel during a calendar year. Consequently, significant P2P transfer applications in Israel will be obligated to ensure connectivity with other P2P applications.

¹ The information provided in this paper does not, and is not intended to, constitute legal advice, nor does it purport to encompass all aspects arising with reference to this subject.

² For more information and detailed results please see the full study: <https://www.gov.il/en/departments/publications/reports/p2pmarketresearch>; ICA's Contribution can be found here: https://www.gov.il/BlobFolder/generalpage/interncooperation/he/interncooperation_Market%20Power%20in%20the%20Digital%20Economy%20and%20Competition%20Policy%20June%202022.pdf